FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,075 | Tuesday November 4 1986 | D 8523 B

West Germany: testing time ahead for economy, Page 16

World news

Gorbachev sets his terms for summit

Soviet leader Mikhail Gorbachev said he favours a new summit with President Ronald Reagan on condition that it is productive and takes account of their meeting in Reykjavik last month.

"We are still for such a meeting but on the indispensable understanding that it should be productive and take account of the objective fact that Reykjavik has brought about a fundamentally new international situation," he said in a letter to Zimbabwe Prime Minister Robert Mugabe.

Mr Gorbachev denounced the US for not joining the freeze on nuclear weapons tests that the Soviet Union has had in force since August last year.

Bourguiba wins

President Habib Bourguiba's ruling party won all 125 seats in Tunisia's general election, which was boycotted by opposition parties. Figures putting the official turnout above 75 per cent were denounced as distorted by Bourguiba's opponents.

Envoy recalled

Belgium has recalled its ambassador to Syria for consultations ahead of next week's European Community foreign ministers' talks in London about relations with Damascus.

Aquino welcome

The offer by Philippine communist rebels to halt their 17-year insurgency for 100 days was warmly received by President Corazon Aquino. But military leaders are thought to oppose a long ceasefire which would give the rebels time to regroup. Cardinal Sin fails, Page 4

Iran crash kills 103

An Iranian Army C-130 Hercules aircraft crashed into mountains near Zahedan in south-eastern Iran, killing all 103 people on board. Technical failure was blamed.

Israel holds editor

Israeli occupation authorities on the West Bank arrested the editor of a Palestinian newspaper and issued an order for his expulsion for alleged anti-Israeli activities. Page 4

Rand bomb verdict

A white South African woman was found guilty of treason and arson in the Rand Supreme Court after pleading guilty to planting limpet mines in police stations. She could face the death penalty. Page 4

Nicaragua fears

Washington is considering the sale of advanced American fighter jets to Honduras in a move which critics fear could alter the military balance in Central America and escalate the civil war in neighbouring Nicaragua. Page 8

Accident explained

An accident which killed 17 people at Bulgaria's biggest chemical complex near Varna on the Black Sea was caused by a ruptured pipe. Two days of virtual silence were broken by a trade union daily paper which blamed a lack of safety checks.

Malaysian ruling

Malaysia's Supreme Court quashed a government order cancelling the work permit of Asian Wall Street Journal correspondent John Berthelsen and said he should have been allowed to contest his expulsion from the country. Page 4

Sorry, wrong country

A chartered French airliner taking 117 holidaymakers from Paris to Israel's southern resort of Eilat landed by mistake at nearby Aqaba in Jordan. After an hour's questioning, the pilot was allowed to take off again.

Business summary

People Express losses mount

PEOPLE EXPRESS, financially-troubled US airline, announced it had lost $110m in its third quarter and had accepted a big cut in the price which Texas Air, its main rival, is paying to come to its rescue. Page 19

WALL STREET: The Dow Jones industrial average closed up 16.45 at 1,894.26. Page 40

TOKYO was closed for a national holiday. Foreigners accelerate pull-out, Page 40

LONDON: Sterling's strength, reflecting better prospects for oil prices, pushed government bond and share prices higher. The FT-SE 100 index rose 7.1 to 1,639.2 and the FT Ordinary index gained 8.7 to 1,294.1. Gilt-edged prices ended with gains of just over 1 point. Page 40

GOLD rose $5¾ to $405.75 on the London bullion market. In New York the December Comex settlement was $406.8. Page 32

DOLLAR closed in New York at DM 2.0620; SFr 1.7145; FFr 6.7330 and Y163.90. It rose in London to DM 2.0635 (DM 2.0590), but fell to FFr 6.7375 (FFr 6.7175); rose to SFr 1.7175 (SFr 1.7105); Y163.95 (Y163.40). On Bank of England figures the dollar's index rose to 112.8 from 112.6. Page 33

STERLING closed in New York at $1.4130. It rose to $1.4115 ($1.3960), and to DM 2.9125 (DM 2.8850); FFr 9.51 (FFr 9.4425); SFr 2.4250 (SFr 2.4050); Y231.50 (Y229.50). The pound's exchange rate index rose to 68.7. Page 33

ZINC prices on the London Metal Exchange fell sharply on news of an end to the five-month strike at Noranda's zinc refinery at Valleyfield, Quebec. The cash price closed £26 down at £604.50 a tonne. Page 32

GOODYEAR, world's biggest tyre manufacturer, being pursued by a European investor group led by Sir James Goldsmith, unveiled its first move in its battle to remain independent. Page 19

TATE & LYLE, UK sugar refiner, said Ferruzzi of Italy might have broken undertakings given to the British Government by negotiating to buy 70 per cent of British Sugar from S & W Berisford. Page 18

ST GOBAIN, French state industrial group, has suspended trading in non-voting shares in anticipation of its move into the private sector. Page 19

ALLIED Stores, fourth-largest US stores group, agreed to a takeover by Campeau, Canadian property concern, in a deal that values the New York-based retailer at $3.65bn. Page 19

MEAD, US forest products group, announced that it is to withdraw from the reinsurance business. Page 19

BRUNSWICK, US manufacturer of leisure and industrial products, has announced that it has agreed to acquire Bayliner Marine, world's largest manufacturer of pleasure boats, for almost $425m. Page 19

CREF, US institutional investor, attacked companies which use poison pill shareholder rights amendments to stave off takeovers. Page 22

J HENRY SCHRODER Wagg, UK merchant bank, has become the first to set up a fund to finance management buyouts in West Germany, where the concept is in its infancy. Page 20

COMPUTER problems which marred trading in London's new securities markets last week seem to have slowed to a trickle although the Stock Exchange information system is still heavily curtailed. Page 10

CHINA's plan to exploit gas off Hainan Island suffered a setback when talks stalled with Hong Kong on purchases from the field. Page 7

Hoechst launches $2.8bn bid for Celanese of US

BY ANDREW FISHER IN FRANKFURT AND PETER BRUCE IN BONN

HOECHST, one of the big three West German chemical companies, yesterday launched a $2.85bn takeover offer for Celanese Corporation of the US which would make it the largest chemical company in the world.

The offer is the largest ever-made by a German company and one of the biggest by any European company in the US. It is also the latest example of a German concern using the strength of the D-Mark against a much weakened dollar to strengthen its interests in the US.

Last month, Bertelsmann, the media concern, announced deals worth about $800m to purchase the outstanding majority share of the RCA records and music business and the Doubleday publishing company. German net foreign assets have more than doubled since 1983 as a result of the soaring D-Mark.

The tender offer by Hoechst values each Celanese share at $245 and is being recommended by the board of the US company which last year had a net income of $178m on sales of just over $3bn. It has recovered from a loss-making period in 1982.

American Hoechst, the US subsidiary of the German company, had a turnover of $1.7bn in 1985, but profits plunged from $53m to $5.7m because of losses on basic plastics, a division which has since been sold. Total Hoechst turnover was DM 42bn ($17.5bn at the exchange

MAJOR EUROPEAN ACQUISITIONS IN THE US

Buyer	Acquisition	Price ($)	Date
Nestlé	Carnation	2.89bn	Sep 84
Jefferson Smurfit	Container Corp	1.18 bn	Jul 86
L'Air Liquide	Big Three Industries	1.1bn	Aug 86
BASF	United Technologies' Inmont Corp	1.0bn	May 85
Hanson Trust	SCM	928m	Jan 86
Midland Bank	Crocker Bank	820m	Oct 81
ICI	Beatrice Foods chemicals div's	750m	Dec 84
Electrolux	White Consolidated Industries	742m	Mar 86
Hoechst	Celanese Corp	2.85bn	Nov 86

Royal Dutch/Shell paid $5.67bn in May 1984 to buy out the minority shareholdings in Shell Oil (US). CGE of France and ITT of the US are planning a telecommunications joint venture which will group assets valued at $4.6bn in which CGE and its European partners will have a 65 per cent stake.

Continued on Page 18

Bidding for top chemical spot, Page 19

CGE and ITT venture to include fibre assets

BY PAUL BETTS IN PARIS

COMPAGNIE Générale d'Electricité (CGE) and ITT have enlarged their telecommunications deal by including the two groups' cable and optical fibre assets in the joint venture which will create the world's second largest telecommunications concern after AT&T.

Mr Pierre Suard, the new CGE chairman, said yesterday that the addition of the cable and optical fibre operations will increase the overall value of the activities grouped in the joint venture from $4.2bn to $4.6bn. It will also lead to the reduction of ITT's original stake in the joint venture from 37 per cent with the European partners increasing their stake from 63 per cent to 65 per cent.

Mr Suard also confirmed that CGE intended to hold a 51 majority stake in the Dutch-registered holding which will control the joint venture. The holding will replace with a more simplified structure the original idea of setting up Eurotel, a separate company, to group the shareholdings of the European partners led by CGE in the joint venture. It also reflects Mr Suard's intentions of having full management and industrial control of the new telecommunications concern.

Although the addition of the cable and optical fibre operations will increase the overall value of the venture, it will not modify the cash aspects of the original transaction. CGE and its European partners are due to pay ITT $1.152bn by the end of this year. Mr Suard said yesterday he was confident that the deal would be completed by then.

Following an agreement signed in New York by CGE and ITT last week, CGE will bring to the venture 65 per cent of the shares of its Cables de Lyon cables subsidiary worth $362m. In turn, ITT will add its cable and optical fibre assets, including two operations in the US, to the joint venture valued at $65m.

The new joint venture is expected to have sales of $12.5bn next year and employ about 150,000 people. Mr Suard said its net earnings should amount to about 2 per cent of sales or about $250m.

Mr Suard also announced yesterday first-half consolidated net earnings of FFr 857m ($128m) for CGE.

It is the first time the French nationalised group, due to be privatised probably in the second half of next year, has published first-half consolidated earnings figures. None the less, the first-half figures this year show a substantial gain over last year when CGE reported for the whole year net earnings of FFr 1.1bn. First-half sales totalled FFr 35.4bn compared with sales of FFr 72bn for the whole of 1985.

The first-half earnings include extraordinary gains of FFr 314m from sales of securities. But even excluding these gains, profits showed a strong advance in the first half.

Mr Suard appeared confident over CGE's ability to complete the financial aspects of its deal with ITT even if Telefonica of Spain eventually decided not to take a $300m stake in the joint venture.

However, Mr Suard said CGE would not agree to any special conditions or treatment for the Spanish telecommunications activities due to be absorbed by the joint venture.

Men and Matters, Page 16

Bitter political row in Dublin follows Sinn Fein decision

BY HUGH CARNEGY IN DUBLIN

THE DECISION by Sinn Fein, the political wing of the Irish Republican Army, to try to enter the Irish Parliament started a bitter row last night when Mr Charles Haughey, leader of the opposition Fianna Fail party, said the reaction of Dr Garret FitzGerald, the Prime Minister, had been grossly irresponsible.

Part of Sinn Fein's intention in deciding to enter the Irish political mainstream was to disrupt the established parties, but it can hardly have expected to provoke such a swift feud between the country's two major parties.

Mr Haughey said in a statement that Dr FitzGerald's hasty reaction to the Sinn Fein decision on Sunday "had all the appearances of political immaturity and may well be counter-productive."

The Prime Minister, leader of Fine Gael, said all parties had an obligation to band together to stop Sinn Fein winning any seats at the next general election, due within 12 months.

Mr Haughey said that Dr FitzGerald had indicated in a radio interview that he would appeal to voters to put all parties except Sinn Fein ahead of Fianna Fail in Ireland's multi-preference ballot systems.

This was grossly irresponsible because Fianna Fail was the only party capable of winning a parliamentary majority and thereby denying Sinn Fein a bargaining or compromising role.

Fianna Fail would not be intimidated by the Sinn Fein decision, Mr Haughey said, in a clear reference to recent Fine Gael suggestions that Fianna Fail is afraid of losing votes to Sinn Fein.

Mr Haughey added that if Sinn Fein secured any electoral support by exploiting social and economic issues "the blame for this must be laid firmly and squarely on (Fine Gael-Labour) coalition policies."

Mr Haughey, is to convene a meeting of his shadow cabinet today to decide its response. This will be closely watched by Fine Gael, which has already accused Mr Haughey of recently adopting a hard line on Northern Ireland to head off any electoral threat from Sinn Fein – an accusation strongly denied by Fianna Fail.

Yesterday Mr John Wilson, a Fianna Fail front-bencher from the border constituency of Cavan-Monaghan, where Sinn Fein is relatively strong, said his party would not co-operate with any organisation that supported violence.

There were also denunciations of Sinn Fein's IRA link from the junior coalition partner Labour and the new Progressive Democrat Party.

Sinn Fein voted at its annualconference to overturn its long-standing policy of abstention from the Irish Parliament, although not from British and Northern Ireland parliaments, as part of a developing dual strategy of conventional political activity, on the one hand, and the IRA's armed campaign in Northern Ireland, on the other.

Mr Gerry Adams, President of Sinn Fein, linkened Dr FitzGerald to the Rev Ian Paisley, leader of the

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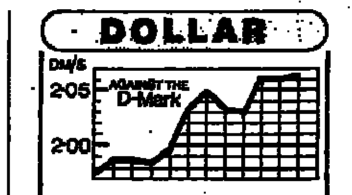
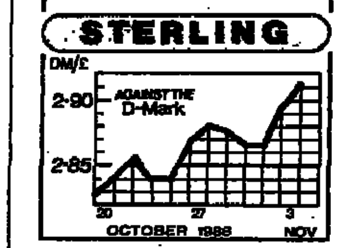
Editorial comment, Page 16

DOLLAR



STERLING



$ falters before mid term vote

By Janet Bush in London

THE DOLLAR'S rally faltered yesterday as the foreign exchange markets decided to sit back and wait for the results of today's mid-term US Congressional elections and the auction of US Treasury bonds.

The dollar had been bought solidly for several trading days in reaction to the narrowing of the US merchandise trade deficit in September in data released last week and the half percentage point cut in the Japanese discount rate cut announced on Friday.

The dollar had also profited from news of a co-operative agreement between the US and Japan which included a statement about stabilising the dollar/yen rate and a package of measures designed to stimulate the Japanese economy.

Japanese demand for dollars, boosted by the US currency's solid performance in the last few days and also by the discount rate cut, should keep the dollar relatively firm this week. The US Treasury is selling $29bn of bonds at this week's auction which begins today with a $10bn offer of 3-year notes.

But foreign exchange traders are well aware of the fact that the Bundesbank, the West German central bank, last intervened against the dollar when it hit DM 2.10 and are cautious about building too large long dollar positions.

All the signs suggest that it will be a close-run race between the Republicans and Democrats in today's US poll and the prospect of Democratic control of the Senate is enough to stop investors buying the dollar up too fast.

The dollar yesterday encountered strong resistance to a rise above DM 2.0750 and ended well below its day's high of DM 2.0760 at DM 2.0635 compared with the close on Friday at DM 2.0590. It rose to a peak of Y164.50 during yesterday's session but then fell back to close at Y163.95 compared with the pre-weekend close at Y163.40.

The foreign exchange market is also focused on the next set of major US economic data – US unemployment figures for October due to be released on Friday.

Money markets, Page 33

Airlines press for action on terrorists

BY MICHAEL DONNE IN MONTREUX

THE WORLDS' airlines are to put pressure on governments for a new international treaty to secure concerted action against terrorist acts at airports, along the lines of existing treaties which provide for heavy penalties against attacks on aircraft in flight.

At the same time, the airlines, members of the International Air Transport Association, want governments to become much tougher in implementing the existing treaties governing penalties for hijacking and sabotage against aircraft, which they feel could be made much more effective in stamping out existing forms of air terrorism.

At present, crimes at airports are dealt with under the laws of the countries where such terrorist attacks are committed, and there is no uniformly applicable international law covering such crimes.

A motion to be voted on today at the IATA annual meeting at Montreux, and already approved by IATA's powerful executive committee, instructs Mr Gunter Eser, director general, as a matter of high priority to work with the International Civil Aviation Organisation on the details of a proposed new treaty guaranteeing heavy penalties for anybody found guilty of an attack on an international airport.

The airlines' move follows the terrorist attacks at Rome and Vienna airports, in December last year. These killed 18 passengers and injured 100.

The airlines fear that there could be more such incidents unless concerted government action is taken. They feel that only a new international treaty providing for severe penalties for attacks on airports can provide the deterrent needed, even if it cannot render such attacks impossible.

The motion approved yesterday by the executive committee which includes several major airlines' representatives, also calls on all the airlines to urge their governments to adopt the existing treaties, where they had not already done so and to implement them consistently.

The treaties were signed in Tokyo in 1963, The Hague in 1970 and in Montreal in 1971, covering respectively crimes against persons aboard aircraft, hijacking and sabotage while in flight.

Only 122 states of the 155 member countries of the International Civil Aviation Organisation (the United Nations' technical agency) have so far ratified those three treaties, while there are some countries which have ratified them who are not obeying their obligations.

There is also mounting concern at the way in which governments are passing on to the airlines the rising cost of international aviation security.

Chissano elected as Mozambique leader

BY VICTOR MALLETT IN NAIROBI

MR JOAQUIM CHISSANO, Mozambique's Foreign Minister, was yesterday unanimously elected President by the country's ruling Frelimo party to succeed President Samora Machel, who died in an aeroplane crash on October 19.

The choice of Mr Chissano, 47, by the 130 member central committee of the party, suggests that Mozambique will continue its cautious overtures to the West and press ahead with its economic reforms, although maintaining its public stance as a Marxist Leninist state.

News of Mr Chissano's election, made in a live broadcast on Radio Maputo by Mr Marcelinos dos Santos, the country's interim leader, came amid signs of increasing tension on the South African border.

A government spokesman in Pretoria said yesterday that a South African soldier had died in a landmine explosion near the border. He accused African National Congress (ANC) guerrillas operating out of Mozambique of having laid the mine, a charge denied in Maputo.

A Mozambique Government official said that South Africa was using the incident as an excuse to launch a military attack.

Mr Chissano, ranked third in Frelimo's politburo, has been Foreign Minister since independence in 1975, and has gained a reputation as an urbane diplomat and political moderate. He speaks several languages fluently, including French, Portuguese and English, and is credited with helping to persuade Mr Machel to move away from rigid application of socialist policies.

A major-general in the army, Mr Chissano will have the unenviable task of trying to defeat right-wing rebels of the Mozambique National Resistance (MNR) at the same time as reviving an economy battered by war and drought.

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EUROPEAN NEWS

Lubbers joins battle for slice of French telecoms market

BY LAURA RAUN IN AMSTERDAM

MR Ruud Lubbers, the Dutch Prime Minister, has joined the ferocious battle for a slice of the French telecommunications market – a tug of war that has embroiled leaders of France, West Gemany and the US.

Mr Lubbers has personally urged Mr Jacques Chirac, the French Prime Minister, to consider the commercial aspects rather than the political ones in a proposed deal in which Philips-American Telephone and Telegraph (AT&T) would gain access to the French telecommunications market.

The joint venture between Philips, the Dutch electronics group, and AT&T, has already concluded a tentative deal to take over CGCT, the state-owned French telephone company, but the pact has been thwarted by political pressure from West Germany.

Chancellor Helmut Kohl of West Germany is believed to have lobbied for Siemens, the electronics concern, to get control of CGCT in exchange for France's Compagnie Générale d'Electricité (CGE) getting a foothold in Germany.

CGE is planning to acquire the controlling stake in ITT's European subsidiaries which include Standard Elektrik Lorenz of Germany, and thereby gain entrance to the German telecommunications market.

Mr Lubbers was thought possibly to have seized the opportunity yesterday to put his case before Chancellor Kohl in Bonn during an address by the Dutch Prime Minister to the Konrad Adenauer Foundation.

The Dutch appeal follows much the same line as that by the US Government, which has lobbied in Europe and in Washington for a purely commercial decision.

Philips-AT&T has spent much time and money in adapting AT&T's 5ESS digital exchange switching system for the European market and could expect to glean Fl 350m ($150m) over the long term as second supplier to the French PTT communications authority.

The Dutch-American venture would purchase microwave transmission equipment from the state-owned CGE in return for the CGCT business and has confidently predicted for a year that the deal would go through.

The French business is considered crucial for the three-year-old Philips-AT&T, which has faced tough competition in the overcrowded European telecommunications market.

COMECON SUMMIT BEGINS

Moscow signals willingness to change economy

BY LESLIE COLITT IN BERLIN

A SUMMIT meeting of Comecon, the Soviet-led trading bloc, began yesterday in Bucharest amid signs of Moscow's readiness gradually to introduce market-oriented reforms.

Mr Nikolai Ryshkov, the Soviet Prime Minister, and prime ministers from six East European countries, as well as Cuba, Mongolia and Vietnam, are expected to discuss structural improvements to the organisation.

Soviet finance and foreign trade specialists said in Hungary last month that acceleration of growth rate in Comecon required a change in its "existing economic instruments." They indicated that Moscow had abandoned the principle of the "command economic system" for both the Soviet economy and Comecon.

Introducing "convertible currency payments" in Comecon, a long-standing East European demand, was publicly discussed by Soviet and Hungarian officials recently. The lack of a convertible currency—along with the absence of market prices—is seen as a big barrier to boosting trade in Comecon.

Mr Mikhail Gorbachev, the Soviet leader, accused Comecon earlier this year of setting up too many bureaucratic commissions and of neglecting the creation of incentives to improve performance. East European officials, however, said Comecon reforms would be introduced only gradually, and together with those being undertaken in the Soviet economy.

One big issue in the Bucharest summit meeting is the development of key technologies in Comecon to the year 2000. Mr Bela Csikos-Nagy, a leading Hungarian economics official, said recently that Moscow now realised that only technological development based on a "quick return on capital," thus financing itself, could provide the scarce funds needed.

The Czechoslovak news agency, Ceteka, said nuclear energy would also be discussed at the Comecon conference with special attention to be paid to "safety" in the nuclear power industry.

Comecon's ambitious plans to develop nuclear energy output were well behind schedule, even before the nuclear accident at Chernobyl last April. Further delays are expected as new safety equipment is installed in nuclear power stations built by the Soviet Union and Czechoslovakia for the rest of Eastern Europe.

Romania, the summit's host, has modified its earlier opposition to greater economic integration in Comecon. The shift has taken place as a result of the country's serious energy shortage and has led to increase co-operation with Soviet industry in order to obtain more oil.

Italy's Radicals postpone demise

BY JOHN WYLES IN ROME

ITALY'S Radical Party has decided to hold onto life for another three months before suspending its activities.

Feeling at the party's annual congress against immediate closure was so strong that its leadership came up with two targets which would deliver a reprieve. One is that the party's 1986 membership must reach 10,000 by the end of the year. Secondly, the 1987 paid-up membership must be at least 5,000 by the end of January.

Although the party, which polls between 2-3 per cent of the national vote, has an illustrious and successful record in leading the fight for libertarian issues such as divorce and abortion, its leaders claim that a minimum membership is necessary to give it credibility.

"We must have a minimum of strength, otherwise no-one takes any notice of us," said Mr Marco Pannella, the party's leading spirit.

During its congress, the party acquired nearly 1,000 new members to give a total membership of 5,382. While Mr Pannella had appeared to want an immediate suspension of activities at the congress, there are those who believe that his principal objective was publicity, which has been abundant, and new members, which have been less so.

The party could have difficulty recruiting up to the targets overwhelmingly adopted by the congress. But if it succeeds then the congress will be reconvened in February to give the party a triumphant relaunch.

Cynics say that Mr Pannella likes the idea of throwing the Radicals in with a realignment of the non-clerical parties under Socialist leadership. Under this scenario, these non-Communist, non-Christian Democrat parties would present themselves as a single bloc and potential government at the next elections capable of winning at least 25 per cent of the vote. Other cynics say that such a bloc is as likely to emerge as 10,000 paid-up members of the Radical Party.

Gibraltar 'association' plan

BY JOSEPH GARCIA IN GIBRALTAR

THE GIBRALTAR governing party of Chief Minister Sir Joshua Hassan is pursuing plans to adopt free association as party policy for the decolonisation of Gibraltar, in spite of public protests from Spain and apparent British concern.

A motion to this end is being moved at the party's conference today and is expected to obtain massive support when voting takes place on Thursday. The motion wants free association to be included in the party's manifesto for the next general election due in 1988.

Sir Joshua does not have Spanish arguments that the Treaty of Utrecht of 1713, under which Britain acquired the Rock and granted Spain first refusal on sovereignty, prevents a formula of free association from being pursued in Gibraltar's case. Gibraltar, he says, could opt for free association with Britain without this entailing any change in sovereignty. The Queen of England would remain Queen of Gibraltar.

After a two-year study of this option, a sub-committee of the party—the Association for the Advancement of Civil Rights—has chosen a status similar to that between the Cook Islands and New Zealand, whereby the former obtains a full measure of self-government while the latter exercises control over defence and certain aspects of foreign affairs.

Blocked bank takeover sparks storm in Athens

BY ANDRIANA IERODIACONOU IN ATHENS

THE RELATIVELY straightforward matter of the sale of a small Greek private bank has embrolled the economy ministry and the Bank of Greece in a controversy which threatened yesterday to develop into a legal confrontation with one of the country's leading businessmen.

The controversy developed when the Economy Ministry and the Bank of Greece moved over the weekend to block the takeover of the Central Bank of Greece, through a Dr 1.05bn (£5.4m) injection of share capital, by Dr George Koskotas, an established banker and magazine publisher.

The selection of Dr Koskotas as the most suitable of several candidates for the takeover had been announced earlier by the government-appointed acting manager of the Central Bank's affairs, who claimed to have the agreement of the Bank of Greece and the Economy Ministry for his decision.

The authorities, however, denied having given their approval and dismissed the acting manager.

Sources close to Dr Koskotas said yesterday that he intended to fight the decision in court unless the legality of his majority share ownership in the Central Bank is recognised and the sum of money imported into Greece as foreign exchange specifically for the Central Bank transaction is refunded, with permission for its re-export.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R. A. Harper, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

US to propose human rights verification plan

BY ROBERT MAUTHNER AND PATRICK BLUM IN VIENNA

THE US is expected to propose a formal system of verification for compliance with the human rights provisions of the 1975 Helsinki Agreement, at the Helsinki Review Conference which opens in Vienna today.

Mr Warren Zimmerman, head of the US delegation, indicated that Washington was considering an initiative to appoint special human rights panels of three distinguished citizens drawing on the 35 signatory states.

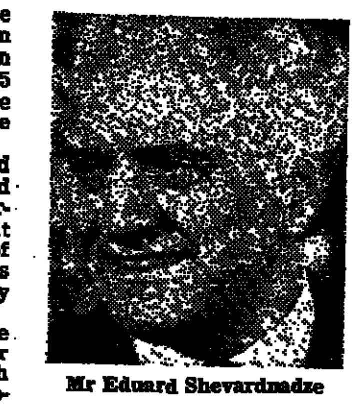
These panels would have the right to visit all the other states to check compliance with the Helsinki Human Rights provisions.

The first few days of the conference, which is scheduled to last until the end of July next year, will be overshadowed by bilateral meetings on the sidelines between Mr George Shultz, US Secretary of State, and Mr Edouard Shevardnadze, Soviet Foreign Minister.

The two ministers are due to meet on Wednesday and Thursday to try to agree a basis for resuming the US-Soviet nuclear arms controls negotiations, after the failure of President Reagan and Mr Mikhail Gorbachev, the Soviet leader, to set a final seal on an agreement in Reykjavik

"The drastic reduction of strategic and intermediate nuclear arms has now become a realistic possibility," Mr Zimmerman said. "I think that the meeting between Mr Shultz and Mr Shevardnadze has some good chances of bringing that progress even further."

The US proposal for a human rights verification procedure is intended to help correct what the Western countries consider a serious imbalance in the way the Final Act of the Conference on Security and Co-operation in



Mr Eduard Shevardnadze

Europe—the Helsinki Agreement's official title—is implemented.

The West believes that the Soviet Union is mainly interested in the Helsinki Agreement as confirming the inviolability of Europe's post-war frontiers and as a forum for discussing security problems.

"The Soviet Union has simply not fulfilled its commitments in the human rights area," Mr Zimmerman said.

He gave as examples the drastic drop in Jewish emigrants from the Soviet Union from 51,000 in 1979 to less than 1,000 last year, the jamming of Western foreign-language broadcasts, and the arrest of 41 members of Helsinki Agreement monitoring groups

While the West will put most of the emphasis on human rights and more balanced implementation of the Helsinki Agreement, the Soviet Union is expected to introduce a major new proposal for the creation of an enlarged forum to deal with the negotiations on a reduction of conventional forces in Europe.

Turkey scores success

TURKEY HAS scored a political success at the Council of Europe this week in Strasbourg when it assumed the presidency of the 21-member federation of parliamentary democracies, David Barchard reports.

Earlier attempts to assume the presidency had been blocked because of objections to Turkey's internal political situation and alleged human rights violations.

Diplomats said that the ease with which Turkey had now been allowed to assume the presidency indicated that lingering doubts among Western European parliamentarians about the country's return to full parliamentary democracy had now been more or less completely dispelled.

W German, Soviet ministers to meet

MR HANS - DIETRICH GENSCHER, the West German Foreign Minister, will meet his Soviet opposite number, Mr Eduard Shevardnadze, in Vienna this week despite a remark by Chancellor Helmust Kohl that has soured relations between their countries, the German Government said yesterday, Reuter writes from Bonn.

Two official visits by West German delegations to the Soviet Union were abruptly cancelled by Moscow at the weekend after publication of an interview in which Mr Kohl drew an analogy between Mr Mikhail Gorbachev, the Soviet leader and Nazi propaganda chief Joseph Goebbels.

Mr Friedhelm Ost, the Government spokesman, told a news conference that Mr Genscher and Mr Shevardnadge would meet as planned in Vienna, where both will attend the 35-nation Conference on Security and Co-operation in Europe (CSCE), despite the cancellation of other official contacts.

Oslo embroiled in budget crisis

Norway, hit by falling oil prices, was gripped yesterday by a national budget crisis after political parties failed to agree on state expenditure for 1987, officials said, Reuter reports from Oslo.

Protracted negotiations between the minority Labour Government and opposition parties failed to produce a majority for the Government's budget proposals.

The budget has been Norway's hottest issue since prices for its North Sea oil plunged from $30 to under $14 a barrel since last November, stripping an estimated 20 per cent from projected 1987 state earnings.

Labour leaders said they were prepared for a long and difficult debate.

Sweden's trade surplus rises

SWEDEN'S TRADE surplus in September reached SKr 3.3bn (£335m) compared with a surplus of SKr 1.5bn in September 1985 and September 1984, according to the Central Office of Statistics, Sara Webb reports from Stockholm.

Basque police show their mettle

BY DAVID WHITE IN MADRID

THE ROLE of the recently-formed Basque police force in freeing the victim of a terrorist kidnapping has been hailed as a breakthrough in the fight against Eta, the armed separatist organisation.

In the first engagement of its kind by members of the four-year-old force, known by its Basque title as the Ertzantza, a six-man squad successfully liberated a 69-year-old local industrialist, Mr Lucio Aguinagalde, on Sunday in a shoot-out north of Vitoria, the Basque capital, where he had ben abducted by Eta 18 days previously.

One of the force's top commanders, Mr Genaro Garcia de Andoian, was shot dead in the course of the action, in which two of the three terrorists were captured.

New ground in policing tactics had already been broken with collaboration between the Basque police and the para-military Civil Guard in trying to track down the kidnappers. Up to now, relations between the two forces have been strained, with an almost total lack of co-ordination.

Mr Rafael Vera, newly appointed Secretary of State for Security, greeted Sunday's action as "an important qualitative leap forward" in co-operation between Madrid and the autonomous Basque government in fighting terrorism.

A report sent to the Basque Government by a commission of five international experts in March this year recommended that the regional authorities should take a bigger role in policing as part of efforts to solve the Eta problem. It said that "in due time" the Basques should assume authority for all aspects of maintaining public order.

The red-beret Basque force, which is still being built up, currently numbers about 3,300, compared with some 7,000 members of the Civil Guard and National Police currently posted in the Basque country, according to senior officials.

Mainly engaged in minor duties such as traffic control, the Ertzantza's credibility took a bad knock shortly after its creation, when raiders made off with a stock of pistols, ammunition, radio transmitters and other equipment. In March last year, an Eta bomb killed the head of the force, Lt-Gen Carlos Diaz Arcocha.

After initially maintaining that terrorism, as a national and international problem, fell outside the new force's competence, Spanish authorities are now more willing to see its responsibilities extended.

The Civil Guard has recently played an increasingly dominant role in the anti-terrorism campaign, and has been Eta's prime target, with 21 of its members killed so far this year. Its top officers are considered hostile to any cease-fire settlement with Eta, which demands the total removal of the Civil Guard and other Spanish security forces from the region.

Malaise within the Civil Guard was displayed last month when its chief of staff, Gen Andres Cassinello, regarded as the main military candidate to take over as head of the force, published a provocative article aimed at politicians and the press, and brought about his own dismissal.

Last week, the Government named instead a civilian, Mr Luis Roldan, to head the Civil Guard. The appointment followed a reorganisation of the top security posts under Mr Jose Barrionuevo, the Interior Minister.

MINISTERS AGREE TWO OUT OF SEVEN MEASURES

Common Market's slow progress

BY QUENTIN PEEL IN BRUSSELS

TWO MOVES to ease the flow of trade between member-states of the EEC cleared the barriers of conflicting national interests yesterday, but five more failed to make the grade.

Trade ministers responsible for negotiating away the restrictions on a genuine Common Market formally agreed on a system of common standards for direct television broadcasting by satellite (DBS) and a standard form of contract for commercial agents selling someone else's products.

They also set a deadline for the introduction of a common European trade mark—although they studiously avoided discussing the divisive question of where a new European Trade Mark Office should be sited.

They failed on a whole range of other questions: to agree on streamlined testing for pharmaceutical products; on what constitutes good laboratory practice for recognising each other's scientific tests; on rules to grant EEC-wide residence rights to students and the self-employed; on easier frontier controls for travellers; and on common safety bars on tractors.

In spite of efforts by national officials, particularly the British in the chair, to present the progress made in the best possible light, European Commission officials were despondent yesterday at the slow pace.

The mixed bag of decision-taking leaves the ministers still well behind their timetable to agree on 95 decisions by the end of the year, on their way to a barrier-free market by 1992.

The standards for satellite broadcasting only required a rubber stamp from the ministers, after the European Parliament submitted its own opinion last month.

The common contract for commercial agents had been blocked by Britain, which yesterday lifted its objections in return for an extended transitional period to implement the measure.

Mr Alan Clarke, the British Minister for Trade who chairs the ministers' meeting, admitted that progress was behindhand, and promised a diplomatic effort in the coming weeks to urge action from national capitals.

"A great deal of work is actually going on at official level," he said. "I hope that we will have a really good score at the next meeting."

Two decisions yesterday bring the total number of measures approved under the UK presidency since July to 13, while the Dutch Government got through 21 in the first half of the year.

Lord Cockfield, the British Commissioner responsible for the internal market, repeated his charge that member states must abandon their "pick-and-choose attitude" to trade barriers if the whole internal market programme is to be completed by 1992.

Common Market ministers of the EEC yesterday agreed on a symbolic gesture to underline their commitment to a frontier-free market: to scrap all road signs advertising customs posts at their internal borders.

The move will go ahead, in spite of the fact that the customs posts still exist, and nobody can quite agree on how to make travellers stop for spot checks without an appropriate road sign.

Three countries will not benefit from the symbolism: Greece, which has no internal borders with other member states, and Britain and Ireland.

For the rest, the old red-ringed signs marked "Zoll," "Douane" or any other local equivalent of customs, will be replaced with Euro signs: a ring of 12 gold stars on a blue background.

Social Fund turns down aid requests

By Our Brussels Staff

SOCIAL SPENDING by the EEC last year on projects such as youth training, job creation, and help for the handicapped, came to less than half the total value of requests submitted to Brussels.

The European Social Fund, one of the principal sources of EEC cash for unemployment relief and training projects, faced demands in 1985 for almost Ecu 5bn (£3.65bn) with resources of only Ecu 2.5bn. In the event, less than Ecu 2.2bn in funds were actlally committed to new schemes.

The latest figures for the plight of the Social Fund come at a time when the employment ministers ultimately responsible are keen to review its priorities and put much greater emphasis on tackling unemployment across the board.

Britain, Ireland and Italy have submitted an ambitious plan to put more stress on tackling long-term unemployment, training schemes, specific areas such as inner city deprivation, and the promotion of small businesses and self-employment.

Argentina lobbies EEC on Falklands fishing zone

By Tim Dickson in Brussels

ARGENTINA WILL today try to enlist European Community support against Britain's unilateral announcement last week of a 150-mile fishing zone round the Falklands.

The subject is expected to dominate meetings in Brussels this afternoon between Mr Jorge Sabat, the country's Secretary for Foreign Affairs, and the EEC Commissioners for Fisheries and North-South relations, Mr Antonio Cardoso e Cunha and Mr Claude Cheysson. Mr Sabato had a long standing appointment to see Mr Cheysson but the session with Mr Cardoso has been arranged in respons to last week's developments.

Officials in Brussels last night were reluctant to comment on what is a potentially sensitive issue for the Community. Under Britain's 1973 Accession Treaty, the Falklands are defined as overseas territories and responsibility for their fishing activities lies with the UK.

The Commission, however, automatically becomes involved in negotiating access to the fishing zone on behalf of other EEC member states in the same way that it acts on behalf of the Community negotiations over fishing around the Faroes with Denmark. Britain will therefore be in the odd position of, in effect, having a seat on both sides of the table.

Observers in Brussels believe that much will depend on the attitude of Spain, which is a close political ally of Argentina but whose fishing fleet (the largest in the EEC) has a significant interest in the waters around the Falklands. EEC fisheries ministers meet in Brussels tomorrow

Moscow lauds 'noble' Unesco

The Soviet Government praised the United Nations Educational, Scientific and Cultural Organisation (Unesco) yesterday as an authoritative body which could do much to promote world peace, Reuter reports from Moscow.

In a message marking the organisation's 40th anniversary, Moscow promised Soviet contributions would continue so that the UN body could carry on its "important and noble mission."

Cardinal fails to heal Aquino's rift with Enrile

BY SAMUEL SENOREN IN MANILA

PROSPECTS for an early solution to the dispute between Mrs Corazon Aquino, the Philippines President, and Mr Juan Ponce Enrile, Defence Minister, dimmed yesterday when Mr Enrile rejected efforts by Cardinal Sin, the Archbishop of Manila, to mediate.

Cardinal Sin, who supported Mr Enrile in February when he rebelled against Mr Ferdinand Marcos, the ousted President, was worried his offer would be spurned because the row had become too emotional.

Two weeks ago mutual friends of Mrs Aquino and Mr Enrile arranged for them to meet in private in an attempt to patch up their differences. The meeting was not successful although Mr Enrile later acknowledged he had said his piece and would stop talking.

Mr Enrile, who has become increasingly critical of Mrs Aquino's handling of the insurgency problem, said there was no need for a mediator since he did not have any personal quarrel with anybody.

Mrs Aquino has resisted sacking Mr Enrile in spite of accusations that his continuing attacks on her policies and actions were destabilising the Government.

Mrs Aquino, who met national security advisers yesterday, appeared ready to agree to a 100-day ceasefire offered by the Communist New People's Army through its negotiating group, the National Democratic Front.

The ceasefire offer, made last Saturday, called for a formal ceasefire from December 10.

The front, she said, "has taken a step forward in acceding to my proposal of a ceasefire."

She is expected to announce her Government's decision late this week.

Malaysian court quashes newsman's expulsion order

BY WONG SULONG IN KUALA LUMPUR

THE Malaysian Government yesterday suffered an embarrassing rebuff when the Supreme Court quashed an expulsion order against Mr John Berthelsen, a US journalist with the Asian Wall Street Journal, based in Hong Kong.

The court ruled that the Government's decision to revoke his work permit was improper because he has not given the opportunity to be heard.

Mr Berthelsen and a colleague, Mr Raphael Pura, were ordered to leave Malaysia in September on the grounds that their activities were prejudicial to national security. The newspaper was also banned for three months.

The reporters had written many critical and investigative stories about the declining Malaysian economy, in particular about the business dealings of Mr Daim Zainuddin, Finance Minister.

The action against the Journal, and the sweeping powers given to the authorities under amendments of the Official Secrets Act, now before parliament, reflect a growing authoritarian Government attitude towards the media.

Under the amendments, virtually any official information not officially released is classified as secret. Violators of the act face a mandatory one-year jail term.

Mr Mohamad Shafie, the lawyer retained by the Journal to fight the expulsion order, has had his share of trouble. Last Thursday, police raided his office for documents that might contravene the Official Secrets Act. He refused to hand them over and was detained for obstructing the police. He was later granted bail.

The Malaysian Bar Council yesterday lodged a protest with the Supreme Court, expressing concern that Mr Shafie's arrest, and the charge brought against another lawyer last week under the act, represented harassment of the legal profession.

Saudis in bid to unite Arabs on oil output

SAUDI ARABIA was yesterday trying to muster a united Arab front behind its drive to persuade the Organisation of Petroleum Exporting Countries to limit production and therefore push up oil prices, AP reports from Abu Dhabi.

Sources at the six-nation Gulf Co-operation Council conference said Mr Hisham Nazer, the acting Saudi Oil Minister, had been instructed to arrange a meeting on the issue with his Gulf collegues. The conference opened on Sunday for private deliberations.

Imports forecast

Developing countries may outstrip industrialised nations as oil importers early next century if their consumption keeps increasing, according to a UN report quoted by Reuter in Bangkok. The report, released at a meeting of the UN Economic Commission for Asia and the Pacific, said consumption had risen steadily over the past 15 years in the Third World.

Tanker damaged

The Iranian oil tanker, Dena, was damaged last week in an Iraqi attack near Iran's Kharg Island oil terminal in the northern Gulf, according to Lloyds shipping intelligence unit, AP reports from Bahrain.

Karachi toll

Pakistani troops yesterday extended a curfew into new districts of Karachi after overnight ethnic violence took the death toll from four days of rioting to at least 34, Reuter reports from Karachi.

Korean charges

South Korean Government prosecutors said yesterday that 1,274 students would be charged in connection with last week's violent demonstrations at a Seoul university, reports AP from the Korean capital.

NZ optimism

The economic slowdown in New Zealand over the past year may be over, with the economy poised to move upwards, according to a business opinion survey conducted by the independent Economic Research Institute and quoted by Reuter in Wellington.

S African woman guilty of treason

BY ANTHONY ROBINSON IN JOHANNESBURG

A WHITE South African, former journalist, Ms Marian Sparg, was found guilty of treason and arson in the Rand Supreme Court yesterday after admitting four charges of planting limpet mines in police stations and progressive Federal Party offices. She is expected to be sentenced later this week and could face the death penalty.

Ms Sparg, who left South Africa in 1981, admitted joining the military wing of the banned African National Congress, Umkhonto We Sizwe (spear of the nation), and having received military training in ANC camps in Angola before returning to South Africa on a false passport.

In February this year she went to Lesotho and smuggled back eight limpet mines. She put two of them in a police station lavatory in East London and two in the lavatory of security police headquarters in John Vorster Square, Johannesburg, three weeks later.

All four exploded causing damage but a larger bomb placed in a lavatory of a police station in Hillbrow, central Johannesburg, was discovered and exploded by remote control.

Ms Sparg was also found guilty, with two other former journalists, of the petrol bombing of three PFP offices in 1981.

The verdict came as the Defence Force announced that a white army corporal, aged 20, was killed on Sunday when the horse on which he was patrolling a dirt road near Barberton in the eastern Transvaal detonated a landmine.

Six soldiers were injured last month by a landmine explosion near the Mozambican border, about 50 miles to the north. The defence force said: "There is no doubt at this stage that the mines were planted by ANC terrorists operating from Mozambique."

David Dodwell reports on a drive to consolidate in Asia

Pretoria courts Hong Kong trade

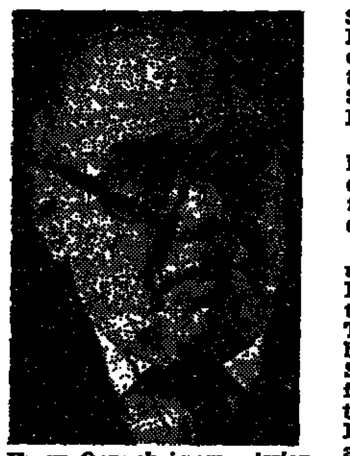
WHEN Mr Harry Oppenheimer, the 78-year-old former head of South Africa's Anglo-American Corporation, left Hong Kong last Saturday, he was still insisting that his four-day visit had been a holiday. Needless to say, very few people believed him.

As the prospect increases of trade sanctions being imposed against South African goods in the US and Europe, so the Pretoria Government has moved swiftly to consolidate trade relations around Asia, Hong Kong, as an important entrepot and a no-questions-asked trade authority, is expected by many to play an important part in this consolidation.

It is an important trading partner in its own right, with imports from South Africa (excluding gold) amounting to $293m last year, and growing at a rate of about 40 per cent in the first half of this year. The territory is also a critical conduit for South Africa's trade with Taiwan, and with mainland China, which officially denies having any trade links with South Africa.

Whether Mr Oppenheimer was discussing possible acquisitions in Hong Kong (last year, Anglo-American wooed both Wheelock Marden and Jardine Matheson), or was working to make sure that pressure for sanctions does not mount in the British territory, remains unclear.

His visit comes just six weeks after a controversial tour of Asia by Mr Pik Botha, South Africa's Foreign Minister. While in Hong Kong Mr Botha noted: "We are all the time on the lookout for new markets, and opportunities to diversify our trade. The time has come for the development of our trade with the Far East."



Harry Oppenheimer: mission unclear

In the vanguard of this effort to diversify will doubtless be Mr Botha's hosts in Hong Kong—the members of the "Blue Train Club." This group of representatives of South African companies in Hong Kong meets informally for lunch once a week, and one can only imagine that discussions are focussing increasingly earnestly on how they will begin to bite in Asia.

Hong Kong's commercial links with South Africa have been strong for many years. The Standard Chartered Bank, and Barclay's Bank, have strong bases in both territories. South African banks like Nedbank and Trust Bank also have offices in the territory, though the recently imposed debt freeze in South Africa has resulted in Nedbank's local deposit-taking company being frozen out of the interbank market with $75m debts outstanding to the Hongkong Bank.

Hong Kong trading groups like Jardine Matheson and eminent business families like that of Lord Kadoorie, also have close ties.

China Light and Power, the utility headed by Lord Kadoorie that supplies electricity to Kowloon and the New Territories, is Hong Kong's biggest importer of coal from South Africa. It is closely followed by Hongkong Electric, the utility that supplies Hong Kong island. Coal accounts for about one third of South Africa's exports to Hong Kong.

A further third is accounted for by steel. Of the 850,000 tonnes imported by Hong Kong last year, 300,000 came from South Africa, most of it produced either by Iscor or by Hiveld. Competitors complain of deep discounting by South African producers, amounting to between $10 and $20 per bar.

Curiously, South Africa is also supplying Hong Kong with much of its Coca-Cola, mainly because the weakness of the rand has made it a cheaper source than almost anywhere else.

There is no doubting Hong Kong's role as a switching point for South African steel exports to China. Of the 850,000 tonnes imported last year, 400,000 tonnes were re-exported to China, and analysts say it is impossible that South African steel did not make up a good share of this total.

In contrast with other exports, South Africa's sales to Hong Kong of bullion and gold coins have dwindlded to virtually nothing—from $221m in 1985. This dramatic slump appears to have less to do with reluctance to trade with South Africa than with China's efforts to boost its own gold exports.

China sold about 10 tonnes of gold to Hong Kong in the first four months of this year, earning about $100m. This contrasts with total sales in 1985 worth $290,00.

The Hong Kong Government, true to its usual "hands off" policies, has signalled that it has no intention of imposing sanctions against South Africa. At the same time, officials insist that trade with South Africa is tiny in the context of the territory's overall trade.

Purchases from South Africa account for just 1 per cent of Hong Kong's total imports, they note, while South Africa accounts for 0.3 per cenut of the territory's direct exports, and 0.2 per cent of re-exports.

The statistics are clouded by the fact that South African exporters have been known to use members of the South African customs area—Swaziland, Botswana and Lesotho—as the country of origin for exports that are likely to be sensitive.

Hong Kong Government officials are well aware that this practice might increase as any sanctions busting operation begins in earnest, but claim that Hong Kong's direct trade with these countries remains insignificant at present, and has shown no sign of unusual growth.

Kashmir peace deal agreed by Gandhi

By K. K. Sharma in New Delhi

MR RAJIV GANDHI, the Indian Prime Minister, yesterday launched his third year in office with a political peace accord for the troubled northern state of Kashmir.

Under an agreement worked out at the weekend by Mr Gandhi and Dr Farooq Abdullah, an interim state Government, formed by the two men's political parties and headed by Dr Abdullah, will take office this week. State elections would be held in about five months.

Kashmir has been under direct rule by the Government for nearly nine months since the dismissal of a Government-supported ministry led by Mr G. M. Shah, brother-in-law of Dr Abdullah.

Mr Shah became Chief Minister of Kashmir two years ago after toppling a popular government led by Dr Abdullah.

Mr Gandhi is believed to have made concessions to Dr Abdullah, widely considered to be a moderate, because of deteriorating law and order.

For several months, groups favouring Kashmir's accession to Pakistan have been active and there has been much violence.

Although Mr Gandhi was behind moves to oust Dr Adbullah in 1984, he now believes that only under Dr Abdullah's leadership can pro-Pakistan groups be checked.

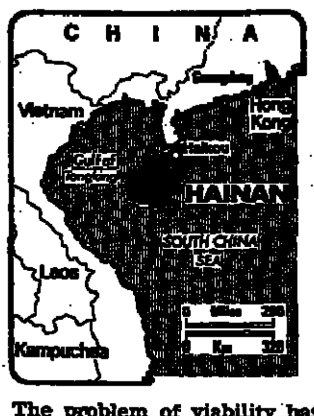
Palestinian editor held

THE ISRAELI military authorities yesterday arrested a Palestinian newspaper editor, Mr Akram Haniyah, and ordered his deportation in a clampdown on supporters of the Palestine Liberation Organisation in the occupied West Bank, Our Jerusalem Correspondent reports.

The deportation order issued by the head of Israel's central command, Major-General Ehud Barak, alleged that Mr Haniyah, 33, editor of the left-wing East Jerusalem daily, Al Shaab, was a senior activist in the Fatah movement of Mr Yasser Arafat, the PLO chairman. It accused him of carrying out unspecified hostile activities on Fatah's behalf.

Hong Kong blow to Peking's gas field hopes

BY DAVID DODWELL IN HONG KONG



CHINA'S HOPES of exploiting a major natural gas field off the southern coast of Hainan Island suffered a setback yesterday when officials revealed that talks had stalled with Hong Kong's gas utility company on the purchase of gas from the field.

News of "considerable differences" between Hong Kong and China Gas Corporation, and China's Offshore Natural Gas Utilisation Corporation comes less than a week after China's State Council set up a team of oil and gas experts to scrutinise the $400m (£277m) natural gas project.

Leaders in Peking have become increasingly anxious about the financial viability of the project, despite the urgent need in South China for fresh energy supplies that the gas field could amply supply.

Initial appraisals of the Yinggehai gas field, about 100 km south of Hainan Island, suggest total reserves of about 90bn cu m. The field, discovered by a consortium led by Atlantic Richfield (Arco) of the US, could be supplying 3.25bn cu m of gas a year to Hainan and the Chinese mainland by 1989.

It has been hoped that the gas could be used for projects in Hainan, and be piped along China's southern coast as far as Shenzhen, the Special Economic Zone adjoining Hong Kong, feeding projects in cities along the way.

Two stumbling blocks now appear to have put the project in jeopardy. First, Chinese officials had hoped that Hong Kong and China Gas would buy gas from the field, paying in Hong Kong dollars, and thus provide the foreign exchange needed to pay for foreign funding costs of the pipeline.

Second, China had agreed to pay Arco in US dollars for the gas brought onshore, even though it will be paid by mainland users in local currency.

As the Chinese currency has been devalued against the US dollar—and appears likely to be further devalued in the years ahead—so the likelihood of the project being financially viable has dwindled.

The problem of viability has been further aggravated by falling oil prices worldwide, which has made other energy options comparatively more attractive.

Talks with Hong Kong Gas appear to have stalled mainly on the issue of price. Mr Malcolm Matthews, managing director of the utility, has been adamant that gas bought from China must be significantly cheaper than current supplies, which are produced from Naphtha.

Conversion to accept China's natural gas would cost at least HK$1bn (£89m). Mr Matthews has said that China's supplies must be sufficiently cheap to make that conversion worthwhile, and to make the disruption involved in conversion worthwhile for consumers—essentially by providing gas at lower prices.

The State Council think-tank has given no specific deadline to come up with advice on whether or not to proceed with the project. But with the issues of pricing and sales to Hong Kong both outstanding, the likelihood of the project receiving the go-ahead seems small.

The main penalty if the deal does not go ahead will be paid in Hainan and Guangdong, both of which face severe shortages of electricity, and both of which have placed high hopes on development being spurred by oil and gas coming onshore from the South China Sea.

It appears that one of the only substantial finds yet made may prove unexploitable into the near future.

Singapore group to build $60m China hotel

By Steven B. Butler in Singapore

A SINGAPORE construction, property and hotel group, yesterday announced plans to build a $60m (£41m) hotel in Shanghai with a Chinese partner.

Lim Kah Ngam (LKN), through its subsidiary LKN Investment International, will form a 50:50 joint venture company with Shanghai International Ventures and Consulting Corporation, a subsidiary of the Foreign Affairs Office of Shanghai Municipality. The venture will build a 600-room hotel and an international club for the expatriate community in Shanghai.

The agreement marks a further advance in Singapore's efforts to promote itself as a major provider of services to China.

The project with LKM will involve $7.5m of equity investment by each partner, and an envisioned $45m of loans to be guaranteed by the Bank of China.

● The Singapore-based financier, Tan Sri Khoo Teck Puat, who controls the Goodwood group of hotels in Singapore and the Travelodge chain in Australia, and the Ko family, in Singapore, are involved in a project to build some 10,000 economy hotel rooms in China over a 10-year period at a potential cost of $350m.

Jaguar's success has raised hopes, reports **John Griffiths** and **David Owen**

Range Rover prepares for US launch

RANGE ROVER SALES WORLDWIDE	1982	1983	1984	1985
Range Rover	13,255	12,182	11,884	13,458
Land Rover	38,926	28,586	25,562	31,046

PREPARATIONS BY Range Rover of North America for the US launch next spring of the British-built luxury four-wheel-drive vehicle are moving into top gear.

The stepped-up activity follows the opening last week of the company's US headquarters at Lanham, Maryland, in a ceremony attended by Princess Alexandra. RRONA, a wholly-owned subsidiary of the UK state-owned Rover vehicles group, expects to sell about 3,000 Range Rovers in the first 12 months after sales begin in March. The vehicles are expected to sell for around $30,000.

Land Rover, the UK-based immediate parent of RRONA within the Rover Group, believes that it can follow in the footsteps of highly successful Jaguar Cars in North America by appealing to affluent buyers prepared to pay premium prices for what it hopes will be perceived as a prestigeous European product.

The US is the world's largest market by far for light four-wheel-drive vehicles of all types, with sales of around 1m units a year. RRONA's initial sales target represents only around 0.3 per cent of the total market.

RRONA does not however see either US-produced 4wd vehicles like American Motors' Jeep range, or Japanese imports such as the Toyota Land Cruiser as the Range Rover's principal opposition.

Rather it believes that it will be competing mainly with other European luxury imports, including non-4wd products like Porsches and Jaguars, for buyers seeking something different — particularly those living in the northern "snowbelt" states.

The US company's president is former Volkswagen of America executive Mr Charles Hughes, and the marketing director is Mr Roger Ball. It intends to establish a network of 60 dealers by launch time and a spokesman said 20 had been appointed so far, after 600 applications had been received.

"RRONA has not set out to attract the holders of any specific existing franchise. But inevitably it has leaned towards dealerships already experienced in European car imports in the target states of California, the East Coast and the snowbelt," said the spokesman.

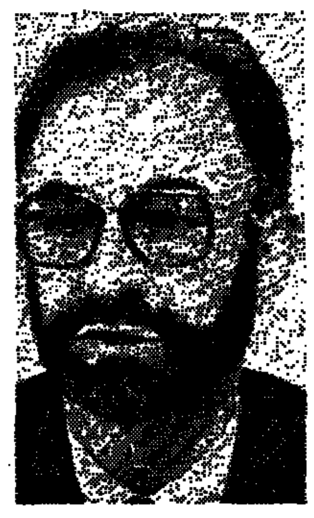
By launch time, Land Rover will have spent more than four years in deciding first how to tackle the North American market, and then bringing its plans to fruition. Initially it considered joint ventures, with Jaguars among others, before deciding on a go-it-alone approach.

RRONA was set up 18 months ago. Since then it has had to cope with a long period of uncertainty, now over, when it seemed that Land Rover, along with its fellow Rover Group company Leyland Trucks, would be *taken* over by General Motors.

Partly because of this, the Range Rover will be coming into the market, like the Austin Rover Sterling executive car, at a time when the big, exchange rate-induced "windfall" profits for most European producers exporting to the US have disappeared.

Nevertheless, while the strength of the D-mark against the dollar is deeply worrying some West German motor industry chiefs—with Audi management board chairman, Dr Wolfgang Habbel hinting that at DM 1.90 to the dollar—Audi could consider withdrawing from the US—the relative decline of sterling has improved RRONA's competitive position.

Certainly, Land Rover executives in the UK stress that at the current exchange rate the US operation should be an important contributor to profitability.



Mr Graham Day

Land Rover made £10m profit before interest in 1985, marking the second year of recovery from its worst-ever year of 1983. Then, it lost £14m before interest, mainly as the result of recession hitting key Third World markets for the utility Land Rover model, which still accounts for about two-thirds of total sales.

These results included the activities of Freight Rover, the specialist van-making subsidiary, whose contribution to profits is not separated out but which is widely understood to be the single largest contributor.

Under a sweeping reorganisation instituted in September by Mr Graham Day, Rover Group's new chairman, Freight Rover has been separated from Land Rover. Government hopes of privatising all parts of the Rover group will therefore be dependent on Range Rover and Land Rover sales only.

Mr Day has already acknowledged that it is likely to be two years or so before Land Rover is a likely sell-off candidate, even after the intensive and successful cost-cutting operations which have seen all Land Rover's formerly scattered operations integrated on one site near Birmingham.

Of particular interest to the North American market, both Rover group and Jaguar have been pouring cold water on renewed rumours that Jaguar itself might be interested in a takeover.

Meanwhile, Range Rover sales world-wide this year are expected to break the previous record sales of 13,255 units achieved in 1982. They fell to 12,182 in 1983 as the recession bit, and to 11,884 in 1984. Last year, however, they reached 13,458 and Land Rover is forecasting "at least 15,000" units this year.

The US market, on its own account, thus promises an increase of around 20 per cent if the target is met.

Japanese agree to lower aluminium import tariffs

BY NANCY DUNNE IN WASHINGTON

JAPAN HAS agreed to lower its tariff rates on aluminium imports and to hold semi-annual discussions on issues related to aluminium trade according to Mr Clayton Yeutter, US Trade Representative.

After the US-Japan sub-cabinet consultations, Mr Yeutter said that Japan would lower the tariff rates on unwrought aluminium from 9.0 per cent to 5.0 per cent on April 1, 1987 and to 1 per cent on January 1, 1988.

Japan's 9.2 per cent tariff on aluminium plate, sheet and strip will decline to 6.1 per cent on April 1, 1987, and to 3 per cent on January 1, 1988.

The January 1988 rates had already been agreed last December when Japan promised to provide greater access for aluminium in compensation for restrictions in its leather market.

From 1980 to 1985, US ingot exports to Japan dropped from 307,000 tonnes to 198,000 tonnes, Mr Yeutter said. U.S. aluminium exports to Japan, the largest market in the world except for the US, are less than 2 per cent of total American aluminium exports.

In 1985, US exports of aluminium sheet and plats to Japan were only 2,600 tonnes. Japanese sheet and plate exports to the US reached 142,000 tonnes.

"Clearly, something is wrong when there is a disparity of this magnitude in a sector in which the US is internationally competitive," Mr Yeutter said.

Mr Alan Wallis, US Under-Secretary of State, said he was satisfied that "major efforts" were now under way to address the imbalances of US-Japanese trade.

The Japanese export industry is "in pretty desperate condition," he said, "which gives you the impression that things are happening."

In the first eight months of 1986, US exports to Japan had risen an average of 5.7 per cent in the four sectors for which market opening agreements were reached last year.

US sales of forest products have jumped 27 per cent. Telecommunications exports have risen 11.6 per cent and exports of medical equipment and pharmaceuticals increased 10.5 per cent.

US sales of electronics products to Japan fell 4.3 per cent during the first eight months, but effects of the US-Japanese agreement on semiconductors have yet to be felt, Mr Wallis said.

Rise in yen 'could boost British sales to Japan'

BY CARLA RAPOPORT IN TOKYO

THE appreciation of the Japanese yen against the pound could provide a significant boost to the sales of British goods to Japan, according to Mr Melville Guest, Britain's new commercial counsellor in Japan.

Mr Guest said however, that unfair trade barriers against British goods remained in several areas.

But the yen's recent appreciation provided new opportunities for UK makers of consumer as well as catipal goods. In the past year, the yen had appreciated by about 90 per cent against sterling.

Although the effects of the yen's revaluation have yet to filter down to the consumer level, "pressures from various sources seem certain . . . to have a downward effect on imported consumer goods prices.

"I refer to parallel imports — which cause such pain to loyal agents and distributors— and the rapidly increasing propensity of the Japanese to spend their yen on trips aboard where goods cost perhaps 30 per cent of what they cost in Japan.

"Imported goods hardly impinge on the average Japanese consumer's daily life. I am convinced that, if prices of imported goods fall, this will change drastically."

Last year, Japan's exports to the UK were worth about £4bn while UK exports to Japan were worth about £1bn.

"Japan is now a nation of 120m of the wealthiest people in the world. Many of them, however, are still largely unaware of the pleasures of a modern Western consumer society.

"It is of crucial importance for British manufacturers to invest now in product research and development and the marketing and distribution infrastructure necessary to succeed in this country."

At the consumer level, the large majority of British goods sold in Japan are made there under licence by local manufacturers.

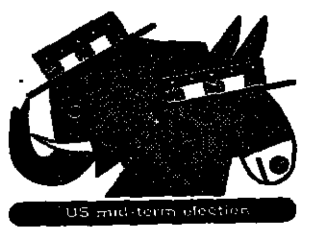
That system was now ripe for change. It had brought significant royalties to the companies concerned, but "it has been at the expense of the trade balance and jobs in the UK.

"That may have been the only realistic course of action at the itme, but I hope that most companies will re-assess the market in the light of the revaluation of the yen."

Americans vote today in mid-term elections crucial to Reagan Administration plans

Down-home President battles an old enemy

BY STEWART FLEMING, RECENTLY IN ORANGE COUNTY



THE welcome home banners were flying, the brass band struck up a syrupy rendition of The Star Spangled Banner, and as the party faithful bowed their heads, the minister led them in prayer.

"Bless and fulfill the aspiration of Ed Zschau and all Republican candidates," he intoned as the congregation of wealthy Republican contributors waited patiently for the President to appear on stage.

Mr Reagan was indeed coming home — to Orange County, his political base in Southern California. It launched him on the path to the state governor's mansion 20 years ago, sustained and financed him as he rose to the Presidency, and in the elections of 1980 and 1984 gave him the biggest majorities over his opponents of any region in the country.

More than 70 per cent of the voters in Orange County cast their ballots for Mr Reagan in 1984. To see and hear them greet their hero is to experience one of the foundations of Mr Reagan's optimism about what faith, free enterprise and patriotism can achieve for the United States.

After almost two months relentless campaigning for the re-election of Republican candidates struggling to hold on to their Senate seats, Mr Reagan returned last weekend to his political home.

His last days on the campaign trail will be devoted to securing the election to one of California's two Senate seats of Republican candidate Ed Zschau, who has retired from the House of Representatives to run for the Senate.

A moderate whose libertarian views on social policy have angered right-wing Republicans, the 46-year-old former business school professor and Silicon Valley entrepreneur's election is crucial to the Republicans' bid to retain control of the Senate in today's mid-term elections.

With the stakes so high, the President is nursing no feelings of Christian charity towards Mr Zschau's 72-year-old Democratic opponent Senator Alan Cranston. Indeed, the contest has some of the overtones of a grudge match in which Mr Reagan is only too delighted to play a role.

Senator Cranston . . . grudge match

Twenty years ago, Senator Cranston was running for the position of State Controller, and decided he was so far ahead that he could spend some time helping Mr Reagan's opponent, the incumbent Governor, Mr Pat Brown.

In the event, both Mr Cranston and Governor Brown were swept aside in the 1966 landslide. Two years later, Mr Cranston, an archetypal liberal, was elected to the US Senate. As Mr Reagan put it: "Alan Cranston has voted against me more times than Ted Kennedy."

It was the first time in all his campaign appearances this year that Mr Reagan had actually named the Democrat he wanted to see defeated. For the re-election of Senator Cranston might not only ensure that the Democrats take control of the Senate, but would also return to Washington a man who could be counted on to continue to make Mr Reagan's life difficult.

The Senator, a gaunt athletic man is an odd mixture. An idealist who sought the Democratic nomination for Presidency in 1984 on an arms control platform, he nevertheless believes in the importance of a strong US defence—although he would spend less on it than Mr Reagan wants. He takes care to fight for the interests of his Californian constituents, including its huge defence industry.

Political analysts believe that Mr Zschau, a moderate who has moved to the right during the campaign, presents Senator Cranston with his toughest re-election battle ever. In the past the Californian Republican Party has put up right wingers as challengers and the majority of California's eclectic voters had no trouble rejecting them.

Mr Zschau, no more charismatic a candidate than the cautious Senator Cranston has a wider appeal, attracting those who identify with his view of California as a Mecca for high-tech entrepreneurship that is also tolerant of social diversity. Mr Zschau believes, for instance, that women should have the right to an abortion, a view which is anathema to conservative Republicans.

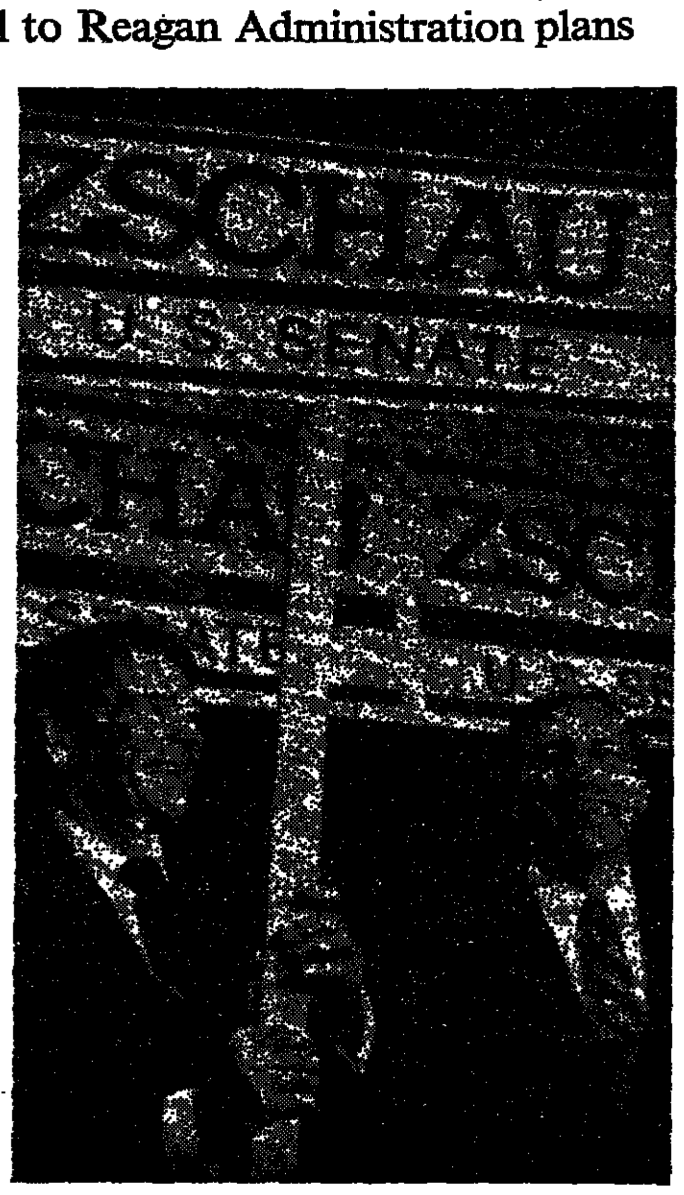
He also has a vital ingredient for a successful Californian election campaign—money and lots of it. Both candidates are expected to spend close to $12m seeking voter support, half of it on television advertisements.

Some political analysts have had the sinking feeling as they watched the race develop that perhaps they have been observing the shape of things to come in political campaigning.

Instead of a face-to-face appeal to the voter, the candidates are spending hours each day either raising money attending media events staged to appeal to television producers, or making television advertisements.

The advertisements of both candidates have been almost universally negative, attacking their opponent's record. Senator Cranson, for example, has charged Mr Zschau with political opportunism following his decision to change his positions on a number of issues. Mr Zschau misses no opportunity to drop innuendos about Senator Cranston's age, painting him as a man of the past. As voters' attention span seems to shrink, 30-second advertisements are the rule and some run for as little as ten seconds, compared with a minute six years ago.

Even some members of the Senator's well-oiled campaign staff wonder whether the advertisements will swing many votes, given that both candidates can match each other virtually dollar for dollar in spending.



President Reagan campaigning for Ed Zschau

Mr Kim Granston, the Senator's son and campaign manager, sees no end to the potential for spending money in a state such as California with a population of some 26m and the highest concentration of television sets in the country.

"Each year you do a bit more, it's like an arms race," he says. Only half those eligible to vote in the state are registered however — and only half of those will actually go to the polls.

Though more advertising is unlikely to reduce voter apathy, he expects that in 1988 the two Senate candidates will spend $15m each on the election. In 1980 Senator Cranston spent $3m.

As for the race itself, Senator Cranston has been emphasising his record on environmental issues and work for the disadvantaged, particularly in the field of education. Recent polls showing the two candidates neck and neck are misleading, he believes, confident that he has a comfortable lead.

Mr Zschau has come from nowhere. He was virtually unknown outside his Congressional district when he won the Republican nomination in June. Nobody will be more pleased than Mr Reagan if his intervention in his home state gives the young pretender to Senator Cranston's seat an upset victory.

Waite to battle on for release of hostages

MR TERRY WAITE, the Archbishop of Canterbury's special envoy, pledged yesterday to return to Lebanon to seek the release of more kidnapped foreigners after helping to free Mr David Jacobsen, a US hostage, Reuter reports.

"This is a good and promising time," Mr Waite said at Larnaca airport, Cyprus, where he and Mr Jacobsen spoke to reporters on arrival by US naval helicopter from Beirut.

"I feel great," said Mr Jacobsen, red-eyed and weary, but otherwise apparently in good condition. "I am very, very happy and looking forward to seeing loved ones."

Mr Waite later flew with Mr Jacobsen to West Germany.

Mr Jacobsen, 55, director of the American University of Beirut hospital, who was seized by gunmen on his way to work on May 28 1985, had high praise for Mr Waite's mediation efforts.

He said he was deeply sad that other Western hostages were still captive, especially his fellow-prisoners, Mr Terry Anderson, 39, a journalist, and Mr Thomas Sutherland, 55, a university dean.

The pro-Iranian Islamic Jihad (Holy War) group, which holds three Frenchmen as well as Mr Sutherland and Mr Anderson, has said it freed Mr Jacobsen in response to unspecified US overtures. Washington has denied making any concessions.

AP adds from Santa Barbara, California: US officials are working through a number of channels to free the remaining American hostages but say they are keeping their efforts secret to avoid risking the captives' lives.

Mr Larry Speakes, the White House spokesman, said US officials remained hopeful that Mr Jacobsen's release would be followed by more.

The Administration has come under increasing fire in recent weeks from the hostages' families who accused President Reagan of refusing to negotiate for their loved ones while dealing for the release of Mr Nicholas Daniloff, the US journalist, from Moscow and for the TWA hostages last year.

● France yesterday ruled out negotiations for a quick release of Georges Ibrahim Abdullah, a suspected guerrilla leader, and said he would go on trial for murder as planned, Reuter reports from Paris.

Argentina wins support for talks on Falkland row

BY TIM COONE IN BUENOS AIRES

ARGENTINA has won the support of Brazil and Uruguay for its call for a special session of the Organisation of American States to discuss Britain's new fishing zone around the disputed Falkland Islands.

This decision was reached during a weekend meeting of the foreign ministers of the three countries in Punta de Este, Uruguay, at which Argentina launched its diplomatic offensive against the fishing zone move by London.

At the weekend the Argentinian Government issued a formal note of protest to Britain over the decision, saying it introduces "a new factor of tension in the region" which could bring unforeseeable consequences. The note calls once again for "global negotiations" between the two countries to resolve the dispute, and which would encompass the sovereignty issue.

The British Government has steadfastly refused to negotiate the sovereignty of the Falkland Islands since the Argentine invasion in 1982.

A meeting between Mr Dante Caputo, the Argentine Foreign Minister, with his counterparts from Brazil and Uruguay resulted in a seven-point joint statement in which Brazil and Uruguay expressed full support for Argentina's position.

They agreed to call for a special meeting of the Permanent Council of Foreign Ministers of the OAS to discuss the fisheries dispute and further agreed to lay the basis of a future "permanent commission of the South Atlantic" in which the three coastal states to the south-west Atlantic would co-operate in the study and possible exploitation and protection of fisheries resources of the region.

Other messages of support have, meanwhile, come in from across the Latin American continent and the President of Peru, Mr Alan Garcia, was due to arrive in Buenos Aires yesterday together with several members of his cabinet and a representative of the Peruvian Air Force, to discuss the South Atlantic conflict with President Raul Alfonsin.

Earlier Mr Caputo met the US joint Secretary of State for Latin American Affairs, Mr Elliot Abrams, who was on a visit to US ambassadors of the region.

Mr Caputo sounded out the US position with Mr Abrams on the new situation in the South Atlantic and later held a telephone conversation with Mr George Shultz, the US Secretary of State, who, in a non-commital statement, apparently told him: "We coincide in the need for negotiation as a means of avoiding conflict and to analyse a practical way forward to achieve it."

Unofficially, the Argentine Foreign Ministry is placing great importance on the stance the US takes at a forthcoming meeting of the OAS in Guatemala at which the Falkland Islands is expected to be discussed. After first attempting a mediating role in the 1982 war over the islands, the US eventually came out in support of Britain.

Meanwhile, the Deputy Foreign Minister, Mr Jorge Sabato, has been despatched to Europe to meet representatives of the Italian, French, Dutch, West German, Belgian and Swiss governments to explain the reasoning behind Argentina's recent signing of fishery agreements in the South Atlantic with the Soviet Union and Bulgaria, and to emphasise Argentina's opposition to the new British measure, which was partially precipitated by the Argentina-USSR fishing accords.

No further military precautions have been taken by Argentina, although fishing industry sources continue to point to the danger of possible conflicts created by the British decision. Although the British Government intends policing only the 150-mile radius Falkland Islands protection zone around the islands, the claim to a new 200-mile fishing zone has a considerable overlap with Argentina's own 200-mile exclusive economic zone off its continental mainland

California places flea in foreigners' ear

Louise Keyhoe in San Francisco reports on a drive to make English the official language

WHILE "St Francis" might not inspire resentment as a new name for San Francisco, many would feel that its southern Californian counterpart was by no means a "City of Angels." The residents of Alameda de las Pulgas would probably win sympathy, however, if they were forced to change their street name to "Avenue of the Fleas."

Such changes could theoretically take place under Proposition 63, which aims to make English California's official language. The measure will appear on voting papers today along with the names of Congressional candidates.

The issue is loaded with implications for social, immigration and ethnic policies in a state with a fast growing Hispanic population, many of whom are illegal immigrants.

Latest opinion polls suggest that a full 70 per cent of voters will pass Proposition 63, despite non-partisan opposition from prominent figures such as State Governor George Deukmejian, a white Republican, and Democrat assembly speaker Willie Brown, a black Democrat.

The goal of the proposition, its authors claim, is to unite all Americans. "We advocate the importance of English as our only official language, serving as a unifying force to bind our many ethnic groups and tongues together," say members of "US English," a nationwide group led by former US Senator S. I. Hayakawa.

If Proposition 63 is passed, its authors plan to continue their campaign in Florida and other southern states, before seeking an amendment to the US constitution making English the nation's official language.

Opponents fear that if the measure becomes law it could pitch California's English speaking "Anglos" against the Hispanic population, which already numbers 22 per cent of California's population, compared with 7 per cent nationwide.

By 2020, according to data soon to be released by the US Bureau of Census, Hispanics will represent more than one third of California's projected 35m population. Across the country, they are expected to double over the next 30 years.

"English-only is merely a code phrase to mask intolerance toward anybody who sounds or looks different," says Mr John Trasvina of the Mexican American Legal Defence and Education Fund, one of several ethnic groups opposing the proposition.

California did not invent the monolingual cause. Back in 1918, in the xenophobic period which followed the end of the First World War, Theodore Roosevelt, then a former president, led a similar popular drive. His target was German.

More recently, local controversies over the teaching of Spanish have cropped up along the border with Mexico, most notably in Texas, perhaps the most xenophobic of all American states.

But California does have the reputation of being a national pacesetter and its initiatives have resulted in some significant policy innovations. The most well-known is Proposition 13, the tax-cutting referendum of the 1970s, which was the forerunner of the swingeing supply-side tax reduction of the first two years of the Reagan Administration.

Opposition to Proposition 63 from state and local officials focuses on the legal problems that it might create. The measure would require the state to "take all steps necessary to ensure that the role of English as the common language is preserved and enhanced." Any resident of California would have the right to sue the state to enforce the use of the official language.

"The ambiguous wording of the proposition could lead to a voluminous round of litigation," warns Governor Deukmejian. The proposition invites lawsuits demanding the prohibition of foreign language courses, Spanish city and street names and foreign language advertising, he and other opponents claim.

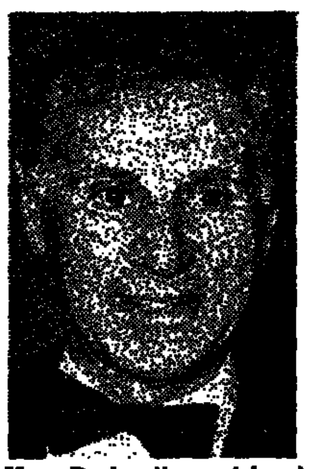
Supporters of the ballot measure deny that they have any intention of trying to eliminate California's heritage of Spanish city, town and street names, or of preventing private businesses from advertising in Spanish. The primary targets of the measure, they claim, are the state's bilingual education programme and multilingual ballot papers.

Many Californians feel that Hispanics have not bothered to learn English as quickly as earlier waves of immigrants from Europe and Asia. The state's provision of education for foreign students in their native tongue while separately teaching them English, is particularly controversial.

Even some of those opposed to Proposition 63, including Governor Deukmejian, believe the education system needs improvement. But the popular view that the costs of bilingual education are too high and that Hispanic students learn English on the streets rather than in the classrooms, is likely to prevail at the ballot box.

Multilingual ballot papers are another touchy subject. Despite the fact that to gain citizenship and a vote, US residents must pass an English test, federal law requires districts to provide multilingual translations of the voluminous ballot books sent to all voters in areas where there is a substantial immigrant population.

"Our American heritage is threatened by language conflicts and ethnic separatism," claims Mr Hayakawa. Although many question the motives of his organisation, and opponents brand him as racist bigot, it is already clear that his cause has gained widespread support.



Mr Deukmejian (above) opposes the language campaign led by Mr Hayakawa (below)

Ironically, opinion polls suggest that 54 per cent of Hispanic voters favour Proposition 63. According to ethnic support organisations opposed to the ballot measure, that is because they do not fully understand it.

Fighter talks raise arms race fears

By Lionel Barber in Washington

THE US is discussing selling advanced American fighter jets to Honduras in a move which critics fear could alter the military balance in Central America and escalate the civil war in neighbouring Nicaragua.

The State Department confirmed last week that the US was discussing with Honduras the proposed sale of US F-5 fighter jets to modernise the Central American state's fleet of 12 French-built super Mystere planes.

Although no final decision has been made, the talks come at a critical time. The Reagan Administration, which backs the Contra guerrilla war against the leftist Sandinista Government in Nicaragua, is about to deliver the first tranche of $100m of mostly military aid to the Contras.

Nicaragua, which only has a fleet of Soviet helicopters, has in the past threatened to acquire advanced Soviet jets if the military balance in the region shifted decisively against it. The US has responded by suggesting it would bomb Nicaraguan airfields if the Sandinistas acquired Soviet aircraft.

Western diplomats have warned privately that US moves to upgrade the Honduran air force could herald a serious escalation of the war in Central America. But these fears are discounted by US officials who point out that Honduras has a far smaller army than Nicaragua and needs to boost its air force.

Honduras is also looking at the possibility of buying Israeli Kfir fighter jets, though US permission would be needed because the planes contain American parts. The disadvantage is that the Israeli jets are more expensive to maintain, according to US officials.

Caracas begins debt principal repayments

BY JOSEPH MANN IN CARACAS

VENEZUELA WILL make a principal payment of $600m £425.3m this month to foreign banks and an additional $150m during December, Mr Manuel Azpurua, the Foreign Minister, said yesterday. The process of making the transfers would begin today.

The $750m payment is one of the chief conditions contained in a $21.2bn agreement for restructuring the bulk of the Venezuelan Government's foreign debt. The agreement was signed in February in New York City.

However, foreign banks were concerned earlier this year when the Government indicated it might not be able to make the lump-sum payment due to a reduction of around $5bn in oil export revenues this year. Venezuela is a rare example of a developing country with a debt restructuring agreement making a major principal payment at this time.

The Venezuelan minister, who recently returned from talks with international bankers in the US, also reiterated the Government's view on a controversial case involving an estimated $400m in foreign debt owed by a private commercial bank, Banco de Comercio, that was taken over by the Government last year.

Mr Azpura said: "There were commercial risks on those credits that are not the responsibility of the Government."

Banks have been pressing the Administration for payment of the Banco de Comercio's foreign debts, but has had no success. International bankers have become seriously concerned in recent weeks since the Government team currently liquidating Banco de Comercio has paid local creditors but has made no arrangements for its foreign debts.

A group of banks headed by a French institution filed suit against the Venezuelan Government last month in a New York court for repayment of a $35m loan plus interest made to the Banco de Comercio.

The Venezuelan Government has been discussing softer terms for its debt restructuring agreement, and the Finance Minister said yesterday he believed that these negotiations would be completed before the end of this year.

However, foreign banks are seeking guarantees from the Venezuelans on a plan for repayment of around $6.9bn in private sector foreign debt, and want to resolve thorny problems such as the Banco de Comercio debt before making any new concessions.

Venezuela policy switch

BY OUR CARACAS CORRESPONDENT

PRESIDENT Jaime Lusinchi, whose Social Democrat government has been unable to pull Venezuela out of recession, has said that important changes in economic policy would be revealed shortly.

The announcement came as businessmen expressed concern over a new demand by organised labour for a widespread, Government-decreed wage increase and over other "anti-business" measures.

The Lusinchi Administration has been hit this year by a reduction of $5bn in oil export revenues, the country's chief source of income. It has also been troubled by the fact that it has not been able to convince Venezuelans holding billions of dollars offshore to repatriate significant sums

Geoffrey Charlish reveals how IBM is boosting productivity in small parts assembly

Talented robot takes on many parts

IBM HAS installed what is believed to be the first single station robotic assembly system in the UK that is capable of programmable, simultaneous selection and assembly of 12 parts without head rotation. This provides a major productivity boost in putting together fiddly components.

The system is being used at the company's Greenock plant in Scotland. The factory manufactures keyboards for most of the IBM terminals and personal computers made in Europe. Although the company will release no official figures, the plant is believed to be making between 15,000 and 20,000 keyboards a week. Investment in robotics for the keyboard production lines is thought to have been about £2m.

The new system is being used to assemble key return springs into keyboard frames, a particularly tedious and error prone operation if done manually. The machine assembles about 100 components a minute. A human operator could not match this, either in speed or low error rate.

Mr George Sarvary, senior staff engineer and project manager at Greenock had the original idea for the non-rotating robot head, which was developed and engineered by a team from PA Technology under Mr Willie Harrison, technical manager of the mechanical engineering group. PA Technology is a Cambridge, UK, contract research and consultancy organisation.

George Sarvary is at pains to point out that robotics have not been used "for the sake of robotics" at Greenock or anywhere else in IBM. The major advantages of lower cost per keyboard, consistency of quality, acceptable return on investment, saving on direct labour and flexibility for the future all went to form the case for capital funding that was put to IBM Europe headquarters. Indeed, IBM made an early start on robotics and now has seven years of experience under its belt.

The new non-rotating head at Greenock is attached to the type of Scara robot IBM has been using for other aspects of keyboard manufacturing for about six years. Scaras are made in Japan by Sankyo Seiki for IBM, which both uses and sells them in conjunction with "systems integrators" like PA Technology.

Scara (it stands for selective compliance assembly robot arm) is a Japanese invention in which two joint-connected arm components moves like the hand of a clock about a fixed, central vertical column, taking the outer with it. The outer arm is servo-driven from the inner to alter the angle between the two.

Scara arms exhibit very little extraneous movement in the vertical plane (the arm joints have long, vertical bearings) and little twisting action, allowing accurate placing of parts anywhere within a circle defined by the fully extended arm.

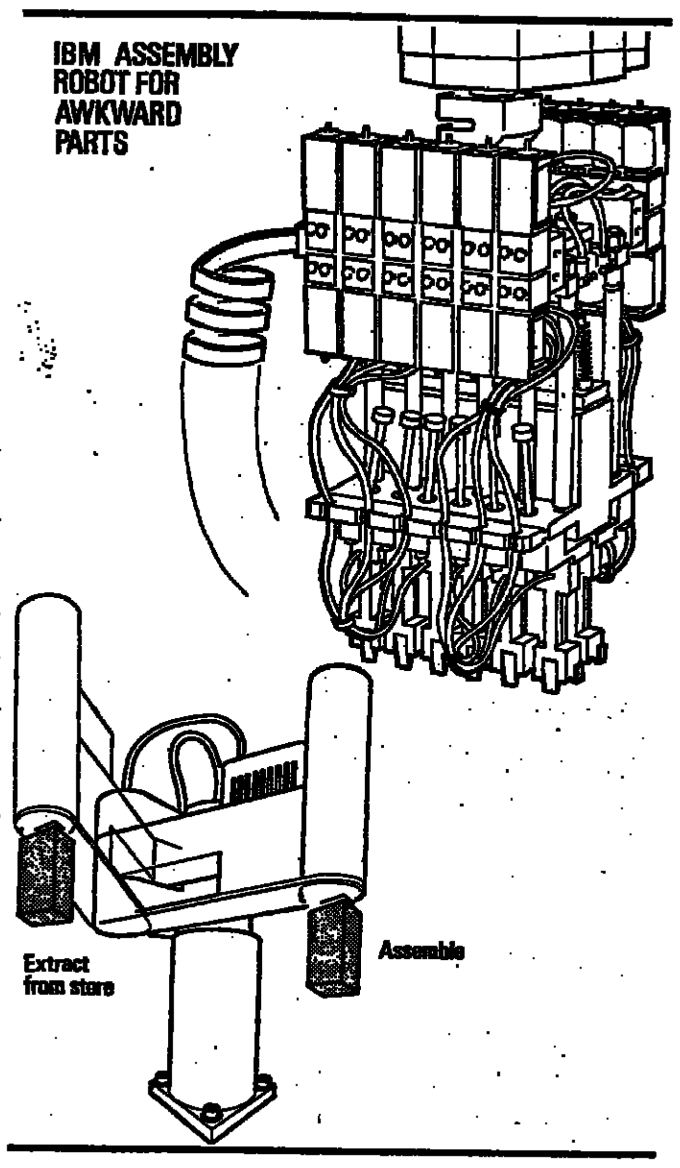
The outer arm component has a vertical member at its far end that can be driven up and down, and at Greenock carries the new assembly head.

Assembling springs automatically—even handling them efficiently—is notoriously difficult. The IBM key manufacturing cell starts with a big bowl feeder holding the spring units, which consist of a half matchstick-sized spring already fixed to a thumbnail-sized piece of plastic. The bowl feeder vibrates and the springs creep up a spiral shelf round the inside curved surface until they reach the top, by which time various small protrusions ensure they are all in the same orientation. Those that are not pushed back into the bowl.

The line of springs then moves to a divider, to form two lines which are fed to a 12 position holder (two lines of six), ready for pick-up by the robot head. The head has 12 pneumatically operated stems in the same 6 x 2 format which drop on to the spring units, but only those programmed to do so will grasp a spring. Twelve optical sensors check whether or not a spring unit is present.

Thus from one to 12 units, each in a pre-programmed position, can be picked up and taken off to the keyboard frame where they are accurately inserted in their proper places, in one action.

Although IBM is making only two types of keyboard from the spring pattern point of view, the new system has the advantage that it can be re-programmed for a new pattern in a few hours. Thus new keyboard designs, which are likely to arise much more frequently in the future as product life cycles get shorter, can be immediately accommodated. The alternative multi-station or hard (non-programmable) automation would be expensive to change.



The new machine is also portable. Using a forklift truck, it can be taken to any other point on the shop floor in minutes, greatly helping line re-organisation.

Greenock for some time has also used Scara robots to insert keys into a plastic template sheet. This keeps the keys positioned for later insertion into their wells in the keyboard frame. After the keys have been printed by heat transfer, one keyboard-full at a time, the sheet goes to manual processes in which the frame, now equipped with its springs and electrical contact back plate, is brought together with the keys. Automatic testing is followed by case assembly, packing and despatch.

Underground feed to heat pumps

BY PETER MARSH

AN INNOVATIVE construction project in Manchester has laid the foundations for big savings on energy bills when the building is finished.

Hidden beneath the ground on the site is a system of trenches that feeds water to a series of heat pumps. The pumps will extract energy from the water and, with this, supply virtually all the heat needed for the building, the head office of Mancos, a fast-growing computer company.

According to EnviroSystems, a Lancaster-based company of heating engineers which is in charge of the Manchester project, the scheme is one of the first in Britain to use ground water in this way. The £350,000 project should save Mancos £11,000 a year in reduced heating bills. The extra costs associated with heat pump installation compared with conventional heating systems should be recouped within four years.

Dr Ian Eastham, managing director of the Lancaster company, says the scheme demonstrates the increased interest in Britain in using energy-saving systems based on heat pumps. Confidence in the construction industry in such systems has gradually increased, partly due to the promotion of heat-pump schemes by such bodies as the UK Department of Energy and the Electricity Council. The Energy Department is providing some of the costs of the Manchester project.

Heat pumps are like refrigerators in reverse. They are devices for transferring heat from a low-temperature source to a higher-temperature area, the inside of a building for instance.

Heat pumps work first by compressing a working fluid so that its temperature rises. Heat from the resultant vapour is then transferred by radiators either to the inside of a room or a boiler, as a result of which the vapour condenses. The cycle is completed by expanding the liquid into an evaporator where it absorbs heat from the surroundings and then re-enters the pump.

Britain has been relatively slow, compared with countries such as Sweden, the US and West Germany, in installing heating schemes based on heat pumps. Leading pump manufacturers include York, Lennox and Carrier of the US, Japan's Hitachi and Stahl of Sweden.

The Manchester project came about after Mancos, a company started 15 years ago, and which expects this year to have sales of £11m, outgrew its existing premises. Dr Eric Howarth, an ex-Manchester University engineer who is the company's managing director and joint founder, saw a chance to try out novel heating techniques and called in EnviroSystems.

After selecting a site for Mancos's new structure, the architects, Manchester-based Thomas Worthington and Son, quickly discovered that the ground was exceedingly damp. This was due to an unusually high water table, only a metre or so below the ground.

As a result of this, builders had to rest the complete building—which should be completed in a few weeks at a cost of £2m—on piles sunk 13 metres below the ground.

EnviroSystems, however, realised that the water could be put to good use as a heat store. By first digging a long continuous trench, labourers laid around the building an underground pipe filled with porous fibres. The pipe acts as a conduit for underground water, which the fibres soak up, much as a mop absorbs liquid.

The result is that around the buildings is a 50,000 cu metre store of water. Importantly, such water is nearly always at a high temperature relative to the air above.

Water from the pipe passes through a series of heat pumps, made by Carrier. These, by compressing a working fluid, will transfer heat from the underground reservoir to the interior of the building and its hot water system.

The complete heating system will be under the control of computers monitored both from inside the building and from EnviroSystems' headquarters in Lancaster.

According to EnviroSystems—the majority stake in which is owned by JEL, a Stockport concern which sells energy management equipment—the heat pumps will meet virtually all the building's energy requirements. A small amount of electric heating will be needed when the weather is especially cold.

EnviroSystems based the Manchester project on previous work at the Pillar Hotel in Elterwater, Cumbria. Here heat is obtained from a stream running through the middle of the hotel site. The £275,000 scheme has saved about £80,000 a year on heating bills. The Lancaster company is also due to work on a £400,000 energy system next year for a new hotel in Corby, Northamptonshire. This will be built by Zeldamain, a Surrey-based developer.

A possibly useful by-product of the Manchester scheme will be that the earth above the underground pipes should be especially warm in the winter, a factor of the system acting as a heat store. Mancos is considering whether the heat could be used to warm the soil for exotic plants which could make the grounds of the building look especially attractive.

BBC broadcasts its business service

LONG A gleam in the eye of its engineering research department, the BBC's Datacast service is now up and running and offers some fascinating possibilities for organisations that have to deliver up-dated information on a continuous basis throughout the day.

In Datacast, information is broadcast, in the same way as the existing teletext services (Ceefax and Oracle), over the country's television transmitters. It is, therefore, accessible over most of the UK. Already the system is on trial by the London Stock Exchange to transmit price information, Euromoney Publications of London (a banking communications service) and the Financial Times, which in two or three weeks' time will be using Datacast to update the FT Index display on the front of its Bracken House headquarters in Cannon Street.

The idea of broadcasting data is not new: the engineers have for years recognised that all broadcast transmissions, television and sound, have time gaps in which nothing useful is sent and which represent potential income.

In television, 50 separate pictures are sent each second, but there are usefully long gaps between them called blanking fields and these are used in the UK to transmit "pages" of teletext information in digital form which suitably equipped TV sets can receive and display instead of the programme.

But Datacast does not transmit, as in conventional teletext, a continuous sequence of whole pages of data, with "capture" of the desired passing page using a small keyboard. Instead, it uses other segments of the empty spaces between picture frames to transmit "packets" of digital data that have been sent over leased lines to the transmitters from a number of "information providers" (IPs).

The packets have addresses on them and can only be picked up on receivers with a decoder that has been appropriately programmed. This allows charging for the service on a pre-paid subscriber basis. Each user has separate code so that, if he fails to pay his bill, he can be "switched off."

The relevant user data is syphoned out of the TV signal and can then be used in a number of ways. For example, it can be displayed, in the format decided by the IP, on standard or specialised terminal of the kind provided, for example, by Bishopsgate Terminals of Old Woking, Surrey (04862 27241). Alternatively, the data could be a software program and could be fed into a computer. Or it might be up-to-the-minute data for feeding into a database, a desktop computer or a public display board.

The clear advantage of such systems is that they can send useful amounts of data quickly to large numbers of locations without the use of land lines.

Depending on the type of service, receivers may range from adaptors for ordinary TV sets to units which can feed information into a computer.

BBC Enterprises (01-576 7481) claims that Datacast is many times faster than most other ways of doing the same job and is more cost-effective as well. In addition, the text or data can easily be encrypted to give secure transmission.

Many organisations apart from financial information providers are expected to take an interest, including commodity dealers, bookmakers, charge and credit card companies, emergency services, and travel, transport and distribution organisations.

BY GEOFFREY CHARLISH

UK NEWS

'Disturbing evidence' of export stagnation

By Philip Stephens

THE Association of British Chambers of Commerce has presented the Government with what it calls "disturbing evidence" of complete stagnation in Britain's export performance and a *worsening* employment outlook.

In a letter to Mr Nigel Lawson, the Chancellor of the Exchequer, ahead of this month's Autumn Economic Statement, it says that lower interest rates and a programme to renovate the country's crumbling infrastructure are urgently needed to boost the economy.

The association's latest regional business survey shows a flat trend in export orders over the past few months and only a *slight* increase in orders from the domestic market.

Businessmen polled in the survey identified the high level of British interest rates as a key constraint on expansion *even* before the latest rise in bank borrowing costs to 11 per cent.

They also voiced concern over the level of pay settlements, and the association warns against high pay *settlements in the* public sector in the run up to the next general election.

Private plan to reopen disused power station

BY MAURICE SAMUELSON

A *DISUSED South* Wales *power* station could become the first in Britain to reopen under private management under a plan being explored by Ryan International, the Cardiff-based *coal recovery* company, and Newport Borough Council.

Mr Chrispian Hotson, Ryan's *group managing* director, said in London that his company was prepared *to raise up to* £20m *to take* over the 120MW Rogerstone power station near Newport, Gwent, if studies to be launched next year showed it to be economic.

It would be the first major venture to result from the 1983 Energy Act which effectively opened the door *to* large-scale private power generation in Britain.

The plan, which could create up to 350 jobs, is regarded as potentially profitable because of Ryan's access to cheap coal: it specialises *in cleaning up colliery tips and* believes it could supply coal to Rogerstone for about £15 a tonne, little more than a third of the cost of the coal burned by the Central Electricity *Generating Board (CEGB).*

Newport *Council, which is close* to purchasing the 170-acre power station site from the CEGB, has already agreed in principle to offer Ryan a 12-month option to refurbish it.

Ryan hopes to gain access to the site in January, when engineers of the US Bechtel Corporation will start a three-month pre-feasibility study. If its findings are favourable, Ryan hopes that Northern Engineering Industries, one of Britain's leading generating plant *suppliers*, will act as contractors.

Newport councillors would, it is understood, have already given Ryan the official go-ahead had it not been for a report that Consolidated *Goldfields, the mining group* with substantial South African interests, was behind the consortium which would refurbish and operate the power station.

However, it appears that Consolidated's *role* would be *as a partner* in Ryan's UK coal reclaiming venture, Ryan Industrial Fuels, which would supply the power station's cheap fuel.

Initially, Ryan plans to recommission only half the plant's 120MW capacity. Its main purpose would be *to* sell power *to* the South West Electricity Board under the buy-back terms laid down in the 1983 *Energy Act. But it could also supply* heat and power to the industrial estate which Newport council is planning to build on part of the site.

The plant would require about 400,000 tonnes of reclaimed coal a year, for which Ryan needs access to 40m-50m tonnes of colliery waste.

The plant's new boilers, based on the latest fluidised bed combustion technology, would be able to burn much lower grade fuel than those of conventional coal-fired power stations.

Ryan Internationial is one of about 12 companies which clean up coal tips in the UK. In Belgium, where it has acquired mineral rights to 150m tonnes of coal reserves, it reclaims and sells 700,000 tonnes of coal a year, or a 10th of *the country's coal production.*

● In 1984, Taylor Woodrow examined the possibility of taking over former CEGB power stations at Plymouth and Carmarthen Bay. It *dropped out after failing* to secure "attractive" terms for re-selling power to the grid.

● *The group awarded the contract* to operate Devonport naval dockyard – on the south-west coast of England – will have to pay about £24m a year in licence fees to the *Ministry of Defence* to use the site, Mr Geoffrey Fuller, the deputy chairman of British Maritime Tech*nology and deputy chairman* designate of Devonport Operations, said yesterday. The Government has decided that the operations of the yard will be transferred to the private sector by *April 6* next year.

Computer problems slow to a trickle

By Alan Cane

THE FLOOD of computer problems which marred trading last week in London's new securities markets seems to have slowed to a trickle *although* the Stock Exchange information service is still heavily curtailed.

Seaq, the Stock Exchange Automated Quotations system, behaved well *yesterday with one* exception. One of the computers which make up the Topic viewdata systems failed apparently, corrupting its data so that for 15 minutes *no* prices were available for British Aerospace, Rotork or American Trust. Instead, prices for Bass, Rothschild, and Alexandra Workwear were duplicated.

The offending computer was turned off and replaced by its "hot standby," a machine running duplicate software switched on and ready to go at all times.

Some two thirds *of* member firms sent staff in over the weekend to try to clear a backlog of over 50,000 unmatched trade reports, equivalent to some 20,000 bargains. The backlog was caused by difficulties at a major stock processing bureau and in*experience among member firms*

'Tripe' to describe Alvey programme as just academic

BY DAVID FISHLOCK, SCIENCE EDITOR

DESCRIBING Britain's *£350m* Alvey programme of advanced information technology as academic research which would not be exploited was "simply tripe," the programme's director, Mr Brian Oakley, says in his annual report.

Mr Oakley reports that the companies *involved in designing* large demonstrations of the next generation of computer technology have plans for exploiting almost all the Alvey-funded research and development.

A total of 110 companies are engaged in the Alvey programme although 67 firms are participating in only one of its 300 projects.

GEC is involved in the largest number of projects, 59, followed by ICL, 49, British Telecom, 37 and Plessey, 35. Many of the companies are small, with fewer than 200 employees, and they include university spin-off firms.

All but about 5 per cent of the Alvey *funds have been committed, af*ter three years of the five-year programme.

Mr Oakley says participants "have had to learn to co-operate in the so-called pre-competitive *field* before we can readily co-operate in applications."

He acknowledges that the *four* large demonstrators funded by the programme have all had difficulties, "but the important point is that they are *undoubtedly* very effective at pulling the technological streams together."

Almost every British university – a total of 53 universities and university colleges – *is participating,* together with 11 polytechnics.

Imperial College is involved in 34 projects, followed by Edinburgh University with 31 and Cambridge *with 24.*

Mr Oakley reports that academic partners are involved in over 85 per cent of his industrial projects. "No one can say that universities and industry are not working together very well in the information technology field."

Mr Geoffrey Pattie, minister responsible for IT, in an introduction to the report, says he was disappointed that industry gave such a negative response to his proposal *that it should* not *expect* the Government to continue its present financial support indefinitely. The Government *contributes* £200m of funding for Alvey.

Alvey Programme Annual Report 1986. Alvey Directorate, Millbank Tower, Millbank, London SWIP 4QU.

Insurance 'prejudiced against' women

By Our Financial Staff

INSURANCE companies are still only paying lip-service to equal op*portunities for* men and women working in the insurance industry, according to a survey.

While the insurance industry thinks that equal opportunities are *not only a social right but make* good business sense, insurance companies generally, both in attitudes and practice, do not encourage and often discourage women from developing their careers.

These are the main findings of a survey conducted by the Industrial *Society as part of its project into* the position of women in the insurance industry. The survey covered the attitudes of seven insurance companies, with over 1,000 employees being interviewed.

Although half the workforce in the industry are women, two thirds of them are in clerical and secretarial jobs. Attitudes by management towards women tend to be benevolently paternalistic, but prejudiced against women employees.

Copies of the survey Developing the Insurance Industry's Womanpower are available from The Pepperell Unit, The Industrial Society, 48 Bryanston Square, London W1H 7LN.

British trade deficit 'will continue into the 1990s'

BY JANET BUSH

BRITAIN'S emerging balance of payments deficit will continue into the 1990s, according to a new long-range forecast published yesterday by Cambridge Econometrics.

The current loss of oil earnings due to the fall in prices will be followed by declining oil output for the rest of the century, and when oil prices do recover, it will be at a time when Britain is again importing increasingly large volumes of oil. The rise in import prices in general, as the trade imbalance forces the pound lower, will itself deepen the overall deficit.

The forecasting group said British industry would be able to take advantage of increasing competitiveness but would not be able to increase exports quickly enough to restore balance.

The group forecasts an overall balance-of-payment deficit of £5.4bn in 1987 or 1.3 per cent of gross domestic product. The shortfall is forecast to widen in 1988 to £6.2bn or 1.4 per cent GNP.

To weather the re-emergence of balance of payments crises, the Government would be forced to restrict the growth in British demand.

The group said the most effective method would be to rescind the cuts already made in personal taxation and the standard rate would have to return to 30p during the life of the next Parliament.

"At the same time, the trade imbalance will force down sterling and so increase domestic costs and inflation; the Chancellor of the Exchequer's aim of zero inflation could not be achieved without even more severe deflation of the economy and further job cuts," it said.

The forecast projects inflation as rising to over 5 per cent in 1987 and staying above this level in the 1990s and unemployment (on the current basis of measurement) staying above 3m until the early 1990s and then falling only slowly to 2.5m by the end of the century.

UK NEWS

Premier Brands to sell Kenco

By Lisa Wood

PREMIER BRANDS, the food and drink business acquired by its management in a £97m buy-out from Cadbury Schweppes in May, is to sell its Kenco Coffee company to General Foods for an undisclosed amount.

Kenco, based in London, manufactures and sells a range of roast and ground coffee products in the UK, where it has about 12 per cent of retail sales.

Premier Brands said yesterday that Kenco brands accounted for less than 5 per cent of Premier Brand's sales volume and the disposal would enable it to accelerate the expansion of its mainstream businesses which include tea, cocoa, whiteners, biscuits and preserves with brand names including Typhoo, Chivers, Hartley, Smash and Marvel.

General Foods, the US food and packaged goods group, whose UK range includes Maxwell House, Mellow Birds and a new range of Master Blend fresh coffees, will continue operating the Kenco plant in London. It said yesterday it would be actively promoting both the Kenco and Master Blend brands in the retail and catering markets.

Mercury cuts charges for long-distance calls

BY DAVID THOMAS

MERCURY Communications, sole competitor to British Telecom's main network, yesterday cut its charges for all trunk calls of more than 35 miles by 12 per cent.

Mercury's decision, its first price cut since it launched its alternative phone service earlier this year, was a rapid response to BT's latest package of price changes which also came into effect yesterday.

It suggests that keen competition between BT and Mercury on prices is now likely to become a feature of the UK telecommunications market.

Mercury believes that its charges for long-distance calls must stay cheaper than BT's if it is to continue to attract new business customers.

BT's price changes implemented yesterday included 12 per cent cuts for calls of over 35 miles on the premium, low-cost routes linking large towns. Mercury's response therefore appears to compensate exactly for BT's price cuts on these low-cost routes.

However, the impact of Mercury's move on the price differential for other long-distance calls is more complex because BT's price cuts on these ranged from 6.2 per cent to 17 per cent.

Mercury's price cuts apply to all its customers whether they are directly linked to the Mercury network or indirectly linked via interconnection with BT's network.

Mercury would not be drawn on the impact of its price cuts on its revenues. It is expected to break even sometime next year.

However, Mercury stressed that it had not increased the charges for its local calls, a service which it has launched in London in August, even although BT had increased charges on peak local calls by 18.9 per cent.

Mercury said that it had fully anticipated the extent of BT's programme to increase its charges for local calls and cut its charges for long-distance calls, which is known as the rebalancing of its tariffs.

Tebbit to visit BBC over 'bias'

BY RAYMOND SNODDY

MR NORMAN TEBBIT, chairman of the Conservative Party, yesterday accepted a BBC invitation to visit the corporation to discuss allegations of bias in BBC programmes.

Mr Tebbit will have talks with Mr Bill Cotton, the managing director of BBC Television.

Mr Tebbit was replying to an invitation issued by Mr Cotton at the Conservative Party conference. It came after the Conservative Party chairman had told the conference of his plans to send the BBC a detailed dossier alleging biased news coverage.

The news that Mr Tebbit will visit the BBC came as the corporation's board of management put the final touches to the response to Mr Tebbit's letter attacking BBC coverage of the US bombing of Libya in April, sent to the BBC last week.

The BBC response will go to Conservative Central Office within the next day or two, probably tomorrow. It deals with the Central Office report line by line and is said to argue vigorously that the corporation news coverage was fair and proper.

It will, however, acknowledge that in retrospect it was an error to link the attempted El Al bombing by Nezar Hindawi to the US action in Libya.

Nuclear supporter survives reshuffle

By Michael Cassell

DR John Cunningham, Labour's environment spokesman, has emerged apparently unscathed from the shadow cabinet reshuffle which was completed last night by Mr Neil Kinnock, the Labour leader.

Despite criticism from within the party over Dr Cunningham's continuing support for the nuclear power industry, he keeps his full environment portfolio in Mr Kinnock's limited reshuffle of front-bench responsibilities.

The reshuffle created some ambiguity, however, when it became clear that Dr David Clark, the front-bench spokesman specialising in "Green" affairs, who had been tipped to take on some of Dr Cunningham's responsibilities, let it be known that he was determined to pursue his vigorous stance on environmental matters. Some conflict with Dr Cunningham therefore looks likely.

The reshuffle was made necessary by last week's shadow cabinet elections, in which two left-wing MPs lost their places in the front-bench line-up. The reshaped team will form the basis of Labour's first cabinet if it wins a general election in the next year.

Employers hope to recover initiative over teachers' pay

BY DAVID BRINDLE AND PETER RIDDELL

LOCAL authority employers aim to recover the political initiative over teachers' pay in England and Wales by agreeing with the teaching unions a re-structuring of the Government's salary offer.

After negotiations with the unions in Nottingham next weekend, the Labour-led employers hope to be able to present Mr Kenneth Baker, Education Secretary, with a deal which does not break his financial guidelines.

This would mean revising the earlier outline salary structure agreed with the unions in talks in Coventry in July. However, the employers believe they can win union agreement to this because of the threat now presented by the Government's to impose its terms.

Mr Baker, speaking in Liverpool Knowsley North in support of the Conservative by-election candidate there, said yesterday the Government would have to legislate "quickly" to enforce its pay and employment contract proposals if the employers and unions failed to accept them.

He warned: "If there is no decision out of Nottingham, I can't stand idly by and let the education system be disrupted. I will have to act."

Disruption of schools by strike action resumed yesterday when the National Association of Schoolmasters/Union of Woman Teachers, the second-biggest teaching union, began a week-long series of half-day strikes in protest at both the employers' Coventry terms and the Government's proposals.

Yesterday's strikes hit schools in London, where 15 secondary schools were shut for the afternoon, Humberside, Lincolnshire and Dorset. Devon County Council said it would follow the lead set by Hampshire and North Yorkshire and apply today to the High Court for an injunction banning strikes in the country because the NAS/UWT had held no pre-strike ballots.

Dr David Owen, the SDP leader, yesterday called on the NAS/UWT to negotiate on the Government's offer, warning that an "inter-union battle" with the National Union of Teachers would bring a spiral of disruption in schools as each union trumped the other's militancy.

Inmos cuts price of 'computer on-a-chip'

By David Thomas

INMOS, the troubled semiconductor subsidiary of Thorn EMI, is cutting the prices of its transputer family, the so-called computer on a chip, by about 40 per cent.

Inmos said that the price cuts reflect orders in larger volumes for the transputer family, launched in October 1985.

It is common in the semiconductor industry for prices to be cut as volume orders are won.

Inmos' latest cuts in transputer prices follow a smaller reduction made earlier this year. In total, transputer prices have been cut by about 46 per cent this year.

Thorn EMI claims that the transputer, which it developed, has an 18-month to two-year technological lead over its rivals.

Inmos' microcomputer products, including the transputer family, are expected to contribute about 20 per cent of the company's turnover this year. The rest will come from its memory chips.

In September, Thorn EMI predicted that Inmos would be trading profitably before the end of this financial year when it announced the largest-ever order for a product of the transputer family from a major non-UK electronics company.

SIB outlines rules on capital adequacy

BY HUGO DIXON

THE Securities and Investment Board, the embryonic City of London regulatory body, is planning to split investment business into several groupings to make sure that financial firms have sufficient capital to back their transactions.

Under proposed capital adequacy rules, to be published next week, firms will be placed in one of four categories, depending on how much control they have over the investment of their clients' funds.

Outlining the proposals yesterday at a Financial Times conference in London, Sir Kenneth Berrill, chairman of the SIB, said there could be no "soft options" on capital adequacy.

Under the proposals, investment business would be split into the following categories, requiring rising levels of capital backing:

- Firms giving investment advice but not handling clients' money.
- Firms handling money but having no discretion over its investment.
- Firms exercising discretion over clients' investments.
- Firms trading on their own account rather than on behalf of clients.

Investment businesses trading over the range of categories will be given a combined capital requirement. "Many of the requirements are actually for information which a well managed investment business should already have available," Sir Kenneth said.

All self-regulatory organisations (SROs) under the SIB's control would have to pass identical rules on capital adequacy, Sir Kenneth said. This contrasts with other areas of City regulation, where SROs only have to make equivalent rules.

Speaking at the same conference Mr Rodney Galpin, the Bank of England's director for banking supervision, said the Bank would probably be changing its capital adequacy rules to bring them in line with those proposed by the SIB.

FT CONFERENCE

The City after the Financial Services Act

Mr Michael Howard, the minister responsible for the Financial Services Bill, said that, if all went well, it should be possible to transfer powers to the SIB in the first few months of 1987. After SIB's rule book had been cleared by the Department of Trade and Industry, he hoped all the SROs would be ready to receive recognition by the summer of 1987.

The SROs would then need time to scrutinise applications for membership before the whole package was in place.

Mr Michael von Clemm, chairman of Merrill Lynch Capital Markets in New York, said SIBs' initial capital rules were a bit stiff. He also said that it was unlikely to be useful for non-practitioners to sit on SRO boards.

Mr Jonathan Agnew, chief executive of the International Securities Regulatory Organisation (Isro), said there had been close consultation between Isro and SIB on capital adequacy.

In devising rules, Isro had been keen to ensure five basic principles: that businesses should need no more capital than was required by ordinary good business practices; that there should be effective monitoring; that capital requirements should not put up unreasonable barriers to new entrants; that they should not harm UK firms' abilities to be internationally competitive; and that they should be simple to administer.

UK NEWS

West Midlands pays price for centuries of development

Stark legacy of decayed facilities

A STARK legacy of decayed infrastructure, poor physical and environmental conditions and low standards of social and neighbourhood facilities are the price the West Midlands now has to pay for two and a half centuries of continuous economic development, according to the Government's Regional Development Programme 1986-90.

Any improvement in the short to medium term must stem from an upturn in the UK economy as a whole and, especially, the fortunes of the vehicle and engineering industries. These, and their attendant supplier companies, are the bedrock of the economy.

Any development in the next 14 years, to the end of the century, is likely to be influenced by:

- Poor prospects for indigenous growth. Few growth companies appear to be based in the West Midlands and almost all the existing traditional industries appear to be set for further decline. Further contraction of manufacturing industry is inevitable.
- Employment prospects (based on the Cambridge Econometric model for the UK) suggest a further 125,000 manufacturing jobs will be lost between 1984 and 1991 with only small compensations from the service sector.
- The cumulative effect of underinvestment in manpower (through apprenticeships) and capital (plant and machinery) will limit the region's ability to take advantage of any increase in demand. Skill shortages already exist within engineering and the new technology-related industries.

Anthony Moreton makes a second report on the assisted regions based on the 17-volume document – Regional Development Programme 1986-90 – which the Government has presented to the EEC as its case for more aid from the Regional Development Fund.

- Lack of large industrial development sites within the main conurbations can only be remedied by a large programme of land reclamation and environmental improvement.
- Continuing restraints on public expenditure necessarily curtail development programmes and limit employment possibilities through construction programmes.
- Private industry has been starved of capital in order to survive the recession; insufficient funds may be available to fund new capital investment programmes and the large volume of training required in an age of new technology.

The West Midlands is, since the conferring of assisted area status in 1984, in a relatively better position to compete with the rest of the country, according to the report, for both increased inward investment and indigenous investment. But it will take time to lay the framework to take advantage of opportunities that arise.

Consequently, a continuing net outflow, although much reduced, of mobile industries to the surrounding counties can be expected.

Little improvement in the basic unemployment position can be expected before the end of this decade because of the increase in the working age of the population and an increase in the number of workers available.

The problem of the West Midlands is that there has been little compensatory growth in indigenous industry outside its traditional vehicle and engineering sectors. Tourism, now an important component in the economy, has made some progress recently, but the potential within the area remained dormant and largely unrealised during the long period of prosperity since the last century based on manufacturing industry.

There has also been a general lack of new investment since 1945. Few new industries have arrived, either from the rest of the UK or overseas, a situation aggravated in the last 10 years by a number of leading local concerns opening production facilities abroad.

This lack of new investment has contributed to an urban environment of generally poor quality with significant deficiencies in those infrastructure services which directly support industrial activity.

Institutional investors are reluctant to fund schemes in the area, leading to many companies outside the vehicles sector being unable to compete with the US and the rest of Europe, which operates on a higher technological base, or Third World countries which have a distinct advantage through lower labour costs.

The report draws particular attention to skill shortages. The West Midlands is losing its traditional association with high-level manual skills, and there is growing concern about the ability of the area to respond to the challenge of new technology.

Investment in apprenticeship schemes, for instance, has fallen back sharply. In 1981 only 17,700 people took on apprenticeships, and there were only 27,100 industrial trainees in all. By 1984 the figures were down to 10,000 and 15,000. Concern is expressed that the cumulative effect of this under-investment in apprenticeships could affect the area's ability to take advantage of any increase in demand, especially in the more modern industries.

Short Brothers admits to 'dreadful' year

BY OUR BELFAST CORRESPONDENT

SHORT BROTHERS, the state-owned Belfast aircraft company, yesterday reported a loss of £35m in the year to March 31. The result was a major reversal of a recent trend towards a better financial performance.

Sir Philip Foreman, the chairman and managing director, took the rare step of calling a news conference to explain what he admitted had been "a dreadful year."

The loss followed three years of improvements which produced a profit in 1984-85 of £523,000 on turnover of £200m.

Yesterday's annual report showed turnover static, with the previous year's trading profit of £15.7m turned into a loss of £13.6m. Interest charges of £15.5m (£10.1m) and design, research and development costs of £5.9m (£5.5m) produced an overall loss of £35m.

Sir Philip said the interruption of the trend towards recovery had partly arisen because of the rapidity with which the company had developed its products

During 1985-86 the company began work on the Tucano basic trainer for the Royal Air Force, the wings for the Fokker F100 airliner, the rudder for the Boeing 737-300 airliner and the nacelles for the V2500 engine produced by the International Aero Engines consortium.

Sir Philip said: "One result of having all these new programmes was that we took our eye off the ball on some of our existing programmes. Costs went up and productivity fell. We lost control of manufacturing in that there was an enormous increase in shortages of parts on the assembly lines."

In addition, while costs rose, the company was unable to obtain better prices for its aircraft and aircraft parts because of stronger competition from its rivals.

The results also suffered from a delay in finalising some sales of its guided weapons. Although these were completed, they were too late for inclusion in the year's sales figures.

Sir Philip referred to "crippling" interest charges which result from the company's artificially high gearing. However, he could foresee no move on the part of the company's sole shareholder, the Government, to change the unsatisfactory capital structure.

"We are confident that the difficulties of 1985-86 are being overcome and that the business opportunities before us can be realised profitably."

Sir Philip said action already taken, including some top-level management changes, should help the company return in the current financial year to a level of operating profit similar to 1984-85.

FRENCH INDUSTRY

David Housego on the flotation that will spearhead the French privatisation programme

Saint-Gobain settles into the starting blocks

THE GLASS tower at La Defense on the edge of Paris that houses the headquarters of Saint-Gobain is a hive of *excitement* these days.

Investment bankers preparing the share offer that will launch the glass and engineering group's privatisation next month cross paths with lawyers checking that the prospectus is in line with European stock exchange requirements. Senior managers scan proofs of the publicity campaign being spread across the French press and television — the first time that Saint-Gobain has tried to boost its image by making the French public aware that it is world leader in the manufacture of such products as ductile iron pipes for water supply.

Mr Jean-Louis Beffa, 44, the company's chairman, and Mr Jacques-Henri David, 43, his managing director — the youngest pair of managers to be in charge of a major French industrial group—preside over a continuing succession of meetings while quietly reassuring each other like theatre producers preparing for a premiere that all will go well on the night.

In retrospect, Saint-Gobain was the obvious first choice for a French government anxious to ensure a trouble-free start for its nationalisation programme — while for Saint-Gobain, privatisation comes just at the right moment.

After a difficult decade during which its major markets in the construction and car industries grew sluggishly and it was thwarted in its diversification strategy, Saint-Gobain has regained its footing and its confidence.

It is reaping the benefits of heavy investment in plant and productivity in mainstream activities, including flat glass-making, insulation materials and reinforced fibres. Like many of the large French groups it began restructuring later than its foreign competitors—a delay compounded in Saint-Gobain's case by its attempt in the late 1970s to break into the information technology industry.

But as part of a major restructuring, it has over the past five years cut its industrial workforce by 15 per cent to 18,000. In more immediate terms it has also benefited from lower energy costs and financial charges.

As a result, net consolidated profits are expected to double this year to FFr 1.25bn ($189m) on the basis of a FFr 76bn turnover, as compared with a low point of FFr 371m in 1982. Cash flow is now significantly higher than capital investment, which still continues at a substantial level. As of this year, the group has begun to reduce its heavy long-term and medium-term debt while strengthening its capital resources—thus regaining a debt equity ratio closer to that of its competitors, though still worse than its performance in the late 1970s.

With a more comfortable financial position, it now has the opportunity to choose between cutting debt further or increasing its market share through external acquisitions. "We have recovered our mobility," says Mr David, who became managing director in July after being finance director for 18 months.

In practice, the group has its eye on a $600m-$700m acquisition in the US in the area of composite materials which would complement the activities of CertainTeed, its US subsidiary, which manufactures glass fibres, insulation materials and plastic piping.

For a government embarking on a tricky denationalisation programme the advantage of Saint-Gobain is that it should *hold no unpleasant surprises.* It is not involved in the high risk armaments or telecommunications sector—like Thomson or CGE, which were other potential choices on the government's list. It has a loss-making division in its civil engineering and construction activities—which account for about 30 per cent of turnover and recorded a first-half deficit this year of FFr 250m. But it is a limited haemorrhage and one which the *group now seems set to put right.*

Under Mr Beffa, the company which in the 1970s plunged into information technology and then a few years later into urban services, has refocused on its main-line interests Mr Beffa emphasises that in its major activities—flat glass-making, fresh water and sewerage pipes, insulation materials, refractory products, reinforced fibres, flasks for the perfume and chemical industry, reinforced fibres and new composite materials—it is world leader or number two in its field with a reputation for innovation both in products and in new manufacturing processes.

It *is* not a company that is looking to make spectacular profits—"that is *not our style* of beauty," says Mr David. It is presenting itself to the French public as a "blue chip share" which deserves a place in the portfolio of any wise head of family. For Mr Beffa, that image reflects the solidity of the group and its ability to hold out the prospect "of a regular growth of profits." To a government which cannot afford to see its privatisation programme put in jeopardy by a tumbling in the share price of the first group it puts on the market, such modest virtues are worth a great deal.

The return of Saint-Gobain to private ownership comes as a welcome relief in a group which feels that the state helped it little after nationalising it in 1982. Saint-Gobain was blocked by the socialist administrative in two strategic areas of diversification. Unlike the other major nationalised industries, it also received virtually no help from the state in terms of capital injections. "We got only FFr 200m," says Mr David, while conceding that the company also avoided generosity in the dividends it paid to its state shareholder.

In trying to move Saint-Gobain into information technology in the 1970s, the aim of Mr Roger Fauroux—Mr Beffa's predecessor—was to *offset* the group's reliance on capital- and energy-intensive industries with slow growth potential by an activity that would provide a higher profit yield. Saint-Gobain obtained control of Machine Bull and a 34 per cent stake in Olivetti before the government decided that Saint-Gobain had no "vocation" in the computer industry. It remains an open verdict whether Mr Fauroux would have succeeded in his gamble or whether nationalisation saved the company from a quagmire.

Mr Fauroux's second major *attempt to diversify* was his raid on Compagnie Generale de Faux, the *lucrative* French water distribution group, with the goal *of* expanding Saint-Gobain into the urban services and *civil engineering* sector. But Mr Pierre Mauroy, then Prime Minister, *limited* Saint-Gobain's stake to 20 per cent after an outcry from the private shareholders against "creeping nationalisation."

Having been blocked in this move, Mr Fauroux himself slipped up by purchasing SGE, the construction group from CGE, the state-owned electronics company — only to find that its losses were far worse than anticipated. Saint-Gobain is still involved in a costly rationalisation programme in this division to eliminate losses.

It was largely as a result of this double reversal and the realisation in the wake of the second oil shock that like many French companies it had fallen behind in adjusting to new market conditions, that the group began a massive rationalisation of its main line activities. Capital investment in plant, which had averaged FFr 2.3bn a year in the 1978-87 period, jumped to an average of FFr 3.4bn in the four years 1982-1985. At the same time, restructuring costs caused by cuts in the workforce cost the group a further FFr 1bn a year on average.

In France where the industrial workforce was reduced by 8,000 over the *four* years, the cutback was achieved with few straight redundancies and a minimum of strikes. Saint-Gobain has been a pioneer among French groups in relocating displaced workers, either within the group or in other companies. It has also spent heavily on job promotion schemes through financing entrepreneurs in the expansion of their companies.

But initially deprived of access to the equity markets, the group had no choice but *to finance* its investment and restructuring out of bank bor*rowing*. Total long-term and medium-term debt thus jumped *from* FFr 7.8bn in 1981 to FFr 14.7bn at the end of 1985. By *contrast, diminished* profits left little possibility of adding *to capital and reserves.* Shareholders' funds at the end of last year stood at *FFr 13.3bn.*

Mr David says: "We had too *much debt in relation to our* capital and reserves." Thus *several months* ago he began doing battle with the Government for Saint-Gobain *to* be allowed to raise fresh capital on the French bourse. The result was the issue in May of FFr 2.4bn in certificates d'investissement (non-voting stock) to strengthen the group's capital resources.

In addition, the group has sold the bulk of its stake in Compagnie General de Eaux to realise a capital gain of over FFr 1bn.

Mr David forecasts that capital and reserves will have been increased to FFr 17-18bn by the end of the year—though this includes FFr 1.7bn in *titres participatives* or long-term bonds and FFr 4bn that is held by minority interests). Meanwhile, the group's debt was reduced by FFr 1.4bn at the end of June. Mr David thus feels that by the New Year he will be close to his objective of a debt to equity ratio of 1:2. It is in this context that he sees the group regaining its ability to make fresh acquisitions, raise new funds, or to continue to reduce its debt.

Mr Beffa believes that the group's prospects are being brightened by a slightly higher growth rate in its major markets. World-wide, he detects a pick up in the construction industry—that could be further stimulated by a renewal of the post war building stock—and in Europe a recovery in the car industry. Directly or indirectly both are major buyers of Saint-Gobain's products.

But Mr Beffa sees increased profits as mainly stemming from the development of sophisticated materials with higher value added.

He waxes lyrical about the prospects for reinforced plastics in the car, ski or boat industries; of the car makers' demand for more glass of varying specifications in terms of security, lightness and heat control; of more sophisticated processes for making flat glass that directly associate its additional qualities; and of new uses to which water piping can be put. Mr Beffa believes Saint-Gobain, as market leader, is in a strong position to dictate the pace of innovation—and thus increase its market share.

At the same time he believes that Saint-Gobain must grow by acquisition. It recently reinforced its position in the European ductile iron pipe in*dustry* by the purchase of Stanton and Staveley in the UK. *In the US, he is looking* for an acquisition that will boost *the group's US sales from* 12 per cent to 25 per cent of *turnover.*

So far, Saint-Gobain has not hived off *loss-making activities,* though Mr Beffa says that he is "not intellectually blocked on the idea of ceding some parts of Saint-Gobain." His policy up to now has been to get each division back on its feet—including currently its wood and paper activities, and the civil engineering and construction divisions which are in the red. But once they are back in profit he could well review his strategy towards them.

THE ARTS

Letter from New York/Paula Deitz

Four British artists brighten the fall

Among the fall exhibitions in New York are four that feature British artists. One common factor that makes them exceptional is that no one in Britain ever has had or probably will have the opportunity to see these exhibitions at home; but also the artists themselves, who range in time from the 18th to the 20th century, share in common an inclination toward documentary work that has evolved into fine art.

To begin with there has been the remarkable "Mrs Delany's Flower Collages" from the British Museum" (at the Pierpont Morgan Library): lifesize and lifelike coloured-paper collages of plants which Horace Walpole described as "precision and truth unparalleled." Mary Granville Delany (1700-1788) was one of those multi-talented sociable women that everyone wanted to know in the 18th century, including Dean Swift, Alexander Pope and George Frideric Handel, who performed in her London house.

In this exhibition a framed panel of the 1750 court dress she worked herself—black silk embroidered with myriad coloured silk flowers, no two the same—offers a clue to her major achievement, which she undertook at the age of 72, quite by accident. One afternoon at Bulstrode—the Duchess of Portland's house in Buckinghamshire where Mrs Delany spent summers in her widowhood—she observed some scarlet paper lying near a geranium of the same hue and went to work with her scissors and tweezers to recreate the flower from tiny snippets of paper.

By 1782, when her eyesight weakened, she had made 970 of these paper "mosaicks," as she called them, using coloured tissue paper from China and wallpaper remnants pasted on to a black background (paper washed with Indian ink) that still shows off the colours brilliantly. So botanically precise were they—including fruits, berries, pods and roots—that Sir Joseph Banks claimed they were "the *only* imitations of nature that he had ever seen from which he could *venture* to describe botanically any plant."

As soon as exotic plants arrived at Kew from abroad, the order was to send them to Mrs Delany to reproduce in collage, and her precise notations, including her source for the plant, date, Linnean classification and common name, now provide plant historians with an accurate record of when certain plants arrived in England. The 110 *in the exhibition* offer an unprecedented view as, except for a very occasional few, they have been stashed out of sight at the British Museum since 1897 to preserve their fragile beauty. Newly conserved with a grant from the Port Royal Foundation, this beauty goes beyond mere scientific accuracy, for they have sculptural qualities of contour and depth that make each one the focus of an ephemeral world that seems alive with movement.

No less original are the travel sketches of Greece and Turkey in watercolour and pen and wash, made between 1827 and 1841 by Admiral Sir Henry Byam Martin. Recently rediscovered in an album among *family papers*, 87 of the almost 100 views have also been newly conserved and framed for a gallery show called *Sailing to Byzantium* (Michael Ward, 9 East 93rd Street, until December 13). The subjects recorded range from popular tourist views of classical ruins, as they were then, to depictions of the colourful life on and around the Bosphorus; his own ship the "Carysfort" was never far from view.

Martin was only 24 in 1827 when he was made a captain in the Mediterranean fleet. Son of a naval hero in the Napoleonic Wars, young Martin entered the Royal Navy at age 12, where he no doubt learned that precious skill of topographical drawing, including the requisite profiles of coastlines. One agrees with Joan Rosasco's assessment in the catalogue ($10) that "the veristic style [was] at the service of an exquisite sensibility." The panoramic view from his bedroom window in Athens is an example of how, in this case, the meticulous detail of the distant rooftops points up the grandeur of the Acropolis.

Only an occasional flag flying on a mast indicated the shift of political winds that made the fleet necessary in the first place, but for the most part all is serene, as in the watercolour "Seraglio point," which shows the Sultan's palace and gardens sloping down a hill to the water. The watercolour seascapes are distinguished for his manner of blending the pale watery skies with the sea. The houses, as in the drawing "on the Bosphorous," were crowded close to shore, and the boats moored practically on their doorsteps.

In one brown ink drawing of "The small aqueduct on the Pyrgos road 30th September 1839" (his labels are all as complete as this), he demonstrates how the pen best portrays grand architecture softened by overgrown nature. And he was a master of drawing trees and looking through them, as to a castle across the Bosphorus in an 1838 sketch.

★

After seeing the Richard Long show at Anthony d'Offay in London, one must come here to his exhibition at the Guggenheim Museum (until November 30). If—as R. H. Fuchs writes about Long in his catalogue—"an artwork is always his pattern laid upon another existing pattern," then Long will never find a more compatible interior for his arrangements than the spiralling ramps around the Guggenheim's open rotunda. The sculptures document primary experience of walking with Long in a real place and are not just a secondary reminder.

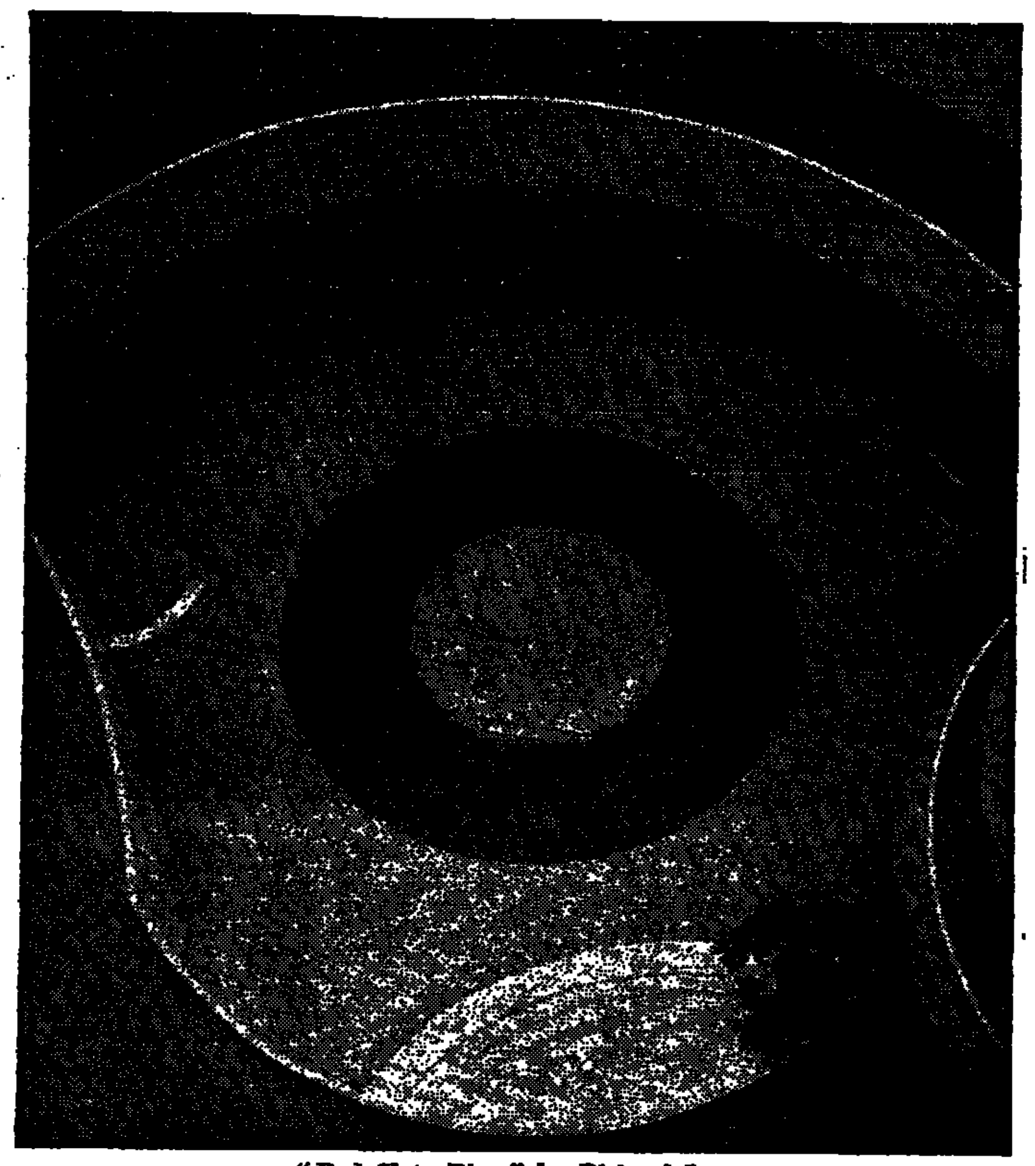
First he selected his red and grey slate fragments from quarries in upstate New York, and then he layered each colour in separate six-foot wide "lines" or arcs in the middle of the sloping floor; and as they snake down—one 98-feet long, the other 60 feet long—they look like rivers of stone flowing down the ramp, and one walks gingerly along their "banks" on either side. Peering over the edge from a great height into the rotunda, one looks down on "Red Slate Ring," seen against the pattern Frank Lloyd Wright designed of steel circles inlaid into the terrazzo floor. One senses here that Long found an interior landscape equal to his mountain tops.

Once removed from the museum's curved environment, the arcs will be returned to straight lines, as it his wont, losing all trace of their origins. But for those who return to the Guggenheim for future shows, the strong imprint of these works will float in front of their eyes like the spot from a flash-bulb camera.

★

Speaking of cameras, "David Hockney's Photocollages: A Wider Perspective" (International Center of Photography until November 9), which will not travel to Britain, is casting a spell that suggests the experience of getting inside a picture on a children's pop-up book. By photographing everything on the move in one place from different angles with a Polaroid SX-70 and single lens camera and then collaging the prints in a sequence, he succeeds in bringing the viewer inside his Cubist world, which here includes many panoramic views of the American landscape.

With regard to his "Luncheon at the British Embassy, Tokyo," I now feel I know more about that occasion—the silver service, the peony centrepiece, the Chippendale, the facial expressions of the guests, the works—than I will ever remember about my own dinner parties.



"Red Slate Ring" by Richard Long

Rossini's Otello/St John's

Max Loppert

Maria Malibran, that brilliant *comet flashing briefly* through the skies of early 19th century opera died 150 years ago, at the age of 28. Sunday's Abbey Opera concert performance of the first Italian *Otello* opera was given to mark that anniversary.

But it was somewhat unconventionally done, for it offered a reminder of one of Malibran's rare operatic failures. On a single occasion in 1831—by which date she had already become famous as Rossini's Desdemona—she took on the title role, originally written for a tenor. By this time a tradition of reassigning this part to a woman had already been established; but Malibran was not a success, and her Othello experiment was not repeated. So the presentation of the work with a mezzo hero, Malibran style, was perhaps an odd tribute.

But if it was that, it was also a very interesting Rossini performance. Indeed, the ability of the work to sustain this change of performer's gender without harm cast a beam of light on the nature of the opera itself. *Otello* is one of Rossini's Neapolitan *opere serie* straddling the worlds of 18th and 19th century lyric theatre—innovative in its form and sound, retrogressive in its view of vocal and dramatic characterisation. The Naples company had four very good tenors, and Rossini used them—as Othello, Rodrigo (more important than in Verdi), Iago and (briefly but strikingly in Act 3) as the off-stage Gondolier. But this Abbey Opera method of *relating* the title part to earlier Rossini warrior-heroes such as Tancredi, authentically mezzo-soprano, told us much about the strengths as well as the weaknesses of this fascinating and beautiful opera.

Our Malibran was Anne Mason, an intelligent and capable performer (to my ears, more soprano than mezzo) hampered by tone that tended to go shallow and shrill under pressure. The fiery two-tenor duet with Rodrigo went very well in this re-cast version, despite the unfortunate throat-ailment of Justin Lavender (he had to leave out Rodrigo's showpiece aria). Stuart Kale was a sound Iago; Alastair Miles, a more than promising young bass, was Desdemona's father—he is called Elmiro, not Brabantio, in Berio's clumsy libretto.

The opera's memorable role is Desdemona; Marie Slorach distinguished herself both in bravura and in the long, affectingly limpid lines of the Willow Song despite passing moments of harshness. As conducted by Antony Shelley this proved to be one of the more impressive Abbey Opera showings; even so, one was forced to recognise that the want of choral and orchestral virtuosity was putting a damper on the opera's earlier—and less "modern"—stages. A libretto reprinted from an 1864 Covent Garden revival was on sale, but was only of intermittent help, for versions heard and read differed notably.

Sophie Langdon/Wigmore Hall

David Murray

On Friday the second of Miss Langdon's "Eastern European" recitals with the pianist Shelagh Sutherland explored Czechoslovakia and Hungary. From the latter there was not only Bartók but György Kurtág, for whose Eight Duos op. 4 the Langdon violin was enterprisingly joined by Ian Forgrieve's cimbalom. Any new cimbalom player is welcome, and Forgrieve has an evident flair: from having a one-piece repertoire (Stravinsky's *Renard*), the instrument has come to boast more and more attention by composers, most particularly Kurtág. Its rackety jangle permits an exciting variety of attack and colour, ideally pungent for Kurtág's laconic, sharp-witted music.

Miss Langdon was properly clear and subtle, granted the odd passing smudge. It wasn't in general a *smudge-free evening*, for piano *or* violin, and the little finger-slips and squeaks seemed to answer to a missing degree of confident thrust. Bartók's marvellous Second Sonata got insightful phrasing and intelligent musicianship, passage by passage, but neither of its movements was drawn into a tight dramatic progress: for all her skill and imagination, the violinist seemed shy of asserting a soloist's frank authority.

Of the Czech music, Josef Suk's Four Pieces op 17 had a satisfying late-Romantic panache. Both partners struck me as a trifle cavalier with Dvořák's op 100 Sonatina in G. The title is misleadingly modest, for this "sonatina" is a substantial work, with an expressive range that wasn't fully captured here. An air of unadorned directness can make more of that, and some humour; the smooth cultivated tone of this performance left things unsaid. Miss Langdon is excellently equipped to make bigger, bolder gestures.

Mr Broucek/Lyon

Andrew Clark

It is almost as if Mr Broucek has had another dream, courtesy of Pilzen beer. After travelling to the moon and then paying a visit to the Hussite revolution of 1420, Janacek's bespectacled embodiment of pantomime, fairy tale and social satire has this time landed in the middle of France, speaking the language perfectly. To the ever-adventurous Opéra de Lyon falls the honour of giving the first production in France of *The Adventures of Mr Broucek*, 66 years after it was first heard in Prague. France has always lagged behind in the Janacek stakes — yet Broucek's face is not exactly a well-known face even in the comparatively favourable climate of Britain, in spite of the crusading work of the English National Opera production.

This French-language staging was satisfactory, if not altogether successful in coping with the longueurs of the work: I confess to wondering at one or two points in the performance just what Jérome Savary would make of it. The Lyon stage director Alain Maratrat concentrated on solid ensemble work, and the whole visual *undertaking* was musically based. The audience was stimulated as much by Maratrat's use of the auditorium for lunar buffoonery as by the easily understood French text, which blended surprisingly well with the music. Jacques Rapp's decor, based on a moonlit evocation of old Prague, was simple and explanatory, and the transformation from dream to reality was most affectingly realised.

There was nothing, therefore, to take the spotlight off cast and orchestra, welded with polish and understanding, if not quite the requisite virtuoso élan, by Gilbert Amy. The cast boasted two young French tenors, Thierry Dran and Christian Papis, who made great play with *the high, elliptical vocal lines*. Catherine Dubosc was the charming soprano, and the strong supporting cast included Jules Bastin as Würfl. Broucek himself, that bourgeois eccentric who compels our affection through his own humorous misfortune, came over less strongly, since Bruce Brewer has neither the comic skills nor the attractive timbre *for what is*, admittedly, a notoriously difficult part to cast.

Glinka Capella/Radio 3

Richard Fairman

As the Russian winter closes in, the unseasonal thaw in cultural relations happily continues. Througout November BBC Radio 3 is mounting a special Russian season, which will include drama as well as music.

If this series has an aim, it will be to extend our appreciation of Russian culture beyond the well-known late 19th and early 20th century classics. As *Radio Times* puts it, "There's more to Russian arts than Chaikovsky and Chekkov." In music, this means going back to composers before Glinka or even to the folk-songs and religious chant that made up the Russian tradition until Western forms.

The opening broadcast did *just that. Relayed live from* Leningrad, this concert featured the Glinka Capella, founded in 1479 and the oldest choral group in Russia. By choosing choral music for the opening event, the organisers were able to start with a complete span of Russian musical history: from 12th century sacred chants, recently deciphered by musicologists at the *Leningrad Conservatoire*, to unaccompanied works written by living composers.

Perhaps the most fascinating aspect of the survey was the extent to which the simple lines of chant have kept their grip on Russian inspiration. Almost all these works, whatever their period, used a chant-like melody in four-part harmony as their basis. Only with Yelcheva's recent *A Russian Wedding*, itself based on folk *songs, did the choir get a* chance to show their paces.

To Western ears the most remarkable quality about Soviet choirs is the resonance of their male voices. The basses of the Glinka Capella are no exception: one of the plainchants kept them in their lowest octave and in Rakhmaninov's *Allnight Vigil* they slowly descended step by step to a low B flat, the bottom basement of any vocal range.

There were some good finds in this programme. Chesnokov's *May my prayer reach you* was a beautiful piece of Russian melancholy and Sviridov's *Our mother Russia* included an unusual hypnotic soprano ostinato. With music by Shnitke and Gubaydalina planned, as well as several obscure operas, there should be more to come.

The Bach Choir/Festival Hall

David Murray

With two solid choral works in hand, Stravinsky's Symphony of Psalms and *The Bells* of Rakhmaninov, The Bach Choir could afford to make room for Paata Burchuladze's *Boris Godonuv* trailer on Sunday night. No doubt he was pleased to have the flanking coronation choruses for the first excerpt, and the *choral prayers* for the last, and his phenomenal bass can hold its own against the most determined trombones and tuba. Wisely—and everything about him suggests a judicious artist—he illustrated Boris's downfall with only simple gestures; we shall have to await full-dress histrionics at Covent Garden.

He was as powerful and dignified as expected. That Boris is also a monster is not something that emerges in the anguished monologues; that too will have to be seen. But the well-focused emotions had full conviction, and Burchuladze's superlatively clean line and pitch made their usual impression. David Willcocks gave efficient support with the Philharmonia, and from the chorus one missed only some soprano brightness to heighten the gleaming coronation sound.

The Bells is a turgid piece, much more fun for choruses than for audiences. The Bach Choir were full-voiced and secure, and the excellent trio of soloists — Sheila Armstrong, Robert Tear and David Wilson-Johnson — sang their individual movements in confident *style, not over-awed by the hors concours* voice which had preceded them. Willcocks took rather less than full advantage of the meagre opportunities the score affords for imaginative lightening and pointing.

Stravinsky's Symphony of Psalms made a far deeper mark, as it should. The chorus was a touch over-smooth — the composer certainly expected more forceful aspirates and dental consonants than we heard — but solidly prepared (its part of the double fugue moved firmly than the undercharacterised woodwind section). Willcocks' tempi were sensible and unexaggerated: at his unhurried pace, the miraculous coda of the final movement took on its natural radiance without a hint of theatre.

Art Blakey/Ronnie Scott's Club

Kevin Henriques

Drummer Art Blakey is back in London with the latest edition of his Jazz Messengers. This time, for a change, it is a septet—alto and tenor sax, trombone and trumpet plus rhythm section. As usual, though, the musicians are energetic, already accomplished youngsters playing the driving, timeless style of hard bop *synonymous with successive* Messengers since initial formation in the mid-1950s.

As in previous versions the format is a judicious balance of adequate space for solos, allied with crisp ensemble work, together with constant interaction between the rhythm section and front line, the last facet spurred gloriously along by the oldest "youngster" in *the band, the 67-year-old* Blakey.

Though the decades of hard drumming have impaired his hearing—he wears a hearing aid —Blakey's rhythmic, dynamic playing remains a wonder. While his tension-mounting press rolls are no longer a trademark, his timekeeping and subtle accenting are as impeccable as ever.

Tenor-saxist Jean Toussaint and pianist Donald Brown are the only previous Messengers. The former is arguably the best soloist among an admittedly not top quality bunch. On opening night trombonist Tim Williams indicated in several numbers — especially a finely judged "In a Sentimental Mood" — that he might develop an influential musical personality.

The other musicians whose names must be filed for future reference—the Jazz Messengers has always been a first-base *school for the big jazz names of* tomorrow — are Kenny Garrett, alto; Peter Washington, bass and Wallace Rooney, trumpet. All are at Scott's until Saturday.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

October 31-November 6

ITALY

Trieste: Teatro Verdi: San Carlo Theatre (Naples) production of Rigoletto conducted by Hubert Soudant. 1949)

VIENNA

Staatsoper: Orpheus (ballet) conducted by Schirmer; Die Entführung aus dem Serail conducted by Weikert with Ghazarian. Watson, Moser; Maria Stuarda conducted by Fischer with Baltsa, Zampieri, Gonda. (51 444/26 55).

Volksoper: Orpheus in der Unterwelt; Die Csardas Fürstin; Hänsel und Gretel; Der Mantel/Gianni Schicchi. (51 444/26 57).

NETHERLANDS

Maastricht, Schouwburg. Modern Japanese dance from the Ariadone No Kai company (Tue). (21 33 00).

Scheveningen, Circus Theatre. The Netherlands Dans Theater with Jiri Kylian's Sechs Tänze (Mozart), Soldier's Mass (Martinu), and L'Enfant et les Sortilèges (Ravel). (Thur). (55 88 00).

PARIS

Die Dreigroschen Oper conducted by Peter Fischer in Giorgio Strehler's production and in Ezio Frigerio's decor at the Théâtre Musical de Paris-*Chatelet* (4261 1983 or 4221 00086).

Susan Buirge Projet – Une Parcelle de Ciel presented at the Centre Georges Pompidou. Grande Salle (4274 4219).

WEST GERMANY

München, Bayerische Staatsoper: Arabella, led by Marjana Lipovsek, Lucia Popp, Julie Kaufmann, Bodo Brinkmann and Norbert Orth. The Philippe Sanjust staging of Palestrina with Helena Jungwirth, Angela Maria Blasi, Kurt Moll and Wolfgang Brendel is revived. Francesco Cilea's rarely played Adriana Lecouvreur with Natalia Troitskaya, Hanna Schwarz and Giacomo Aragall. Also Otello.

LONDON

Royal Opera, Covent Garden: La Traviata, revived in the ancient and never very successful Visconti production based on Beardsley, has Katia Ricciarelli and Lucia Aliberti alternating in the title role, and Yury Simonov as conductor. (240 1066).

English National Opera, Coliseum: The Rape of Lucretia, a chamber opera that in Graham Vick's production proved surprisingly well adapted to the large spaces of this theatre, returns with almost all original cast (including Jean Rigby, Russell Smythe, Anthony Rolfe Johnson and Kathryn Harries) and Lionel Friend as conductor. Further performances of the Jonathan Miller reworking of The Mikado, Aida with Janice Cairns and Eduardo Alvares, and the new productions of Cavalleria Rusticana and Pagliacci.

NEW YORK

Metropolitan Opera (Opera House): The week features the first seasonal performance of *Romeo et Juliette* conducted by Placido Domingo with Cecilia Gasdia, Brian Schexnayder and Paul Plishka. In joins the repertory of Der Rosenkavalier conducted by Jeffrey Tate in Nathaniel Merrill's production with Anna Tomowa-Sintow, Brigitte Fassbaender, Taro Ichihara and Gottfried Hornik; Tosca conducted by Garcia Navarro in Franco Zeffirelli's production with Eva Marton, Placido Domingo and Italo Tajo; James Levine conducting Le Nozze di Figaro in Jean-Pierre Ponnelle's production with Elisabeth Söderström, Kathleen Battle and Thomas Hampson; and the last seasonal performances of John Dexter's production of Aida conducted by Nello Santi with Martina Arroyo, Grace Bumbry, and Leo Nucci.

WASHINGTON

Washington Opera (Opera House): The week features Mstislav Rostropovich conducting Rimsky-Korsakov's The Czar's Bride, directed by Galina Vishnevskaya with Elizabeth Knighton, Cleopatra Ciurca, and Ivan Konsulov; and Wolf-Dieter Ludwig's new production of Il Trovatore conducted by Daniel Oren with Susan Dunn and Franco Bonisolli. Kennedy Center (254 3770).

CHICAGO

Lyric Opera: Handel's Orlando joins the repertory in John Copley's production conducted by Charles Mackerras with June Anderson, Marilyn Horn and Jeffrey Gall. Edita Gruberova takes the title role and Neil Shicoff sings Edgardo in director Peter Reichenbach's production of Lucia di Lammermoor conducted by Charles Mackerras. (332 2244).

TOKYO

The Peking Opera Academy: The Legend of the White Serpent. (Mon matinee): The Magical Monkey King (Mon evening performance). Hitomi Memorial Hall, Showa Women's College, Sangenjaya (461 2590).

London shuns V & A

The V & A's scheme to improve *its parlous financial* situation by introducing a voluntary admission charge a year ago has been something of a disappointment. In the last twelve months £407,000 has been received from this source, less than the £500,000 hoped for, while attendances have fallen by 40 per cent, from 1.7m visitors to just 1m.

However, Lord Carrington, chairman of the Trustees of the Museum, put a brave face on the figures yesterday. The expenditure of the extra revenue on such vital improvements as better signposting (designed by Pentagram) in the cavernous museum should make it a much more attractive place to visit.

More to the point its stronger financial base should enable the V & A to re-open on Fridays some time next year—it has been closed on Friday for over a decade in order to save money. Other planned uses for the revenue are to aid the publication of scholarly workers by V & A Keepers and to tidy up the galleries.

This may seem an ambitious programme for such a relatively small sum, especially when it cost £188,000 in the first year to administer the scheme, leaving a net gain of just £222,700. But £88,000 of the expenditure costs were for consultancy fees and equipment and are therefore one-off debits, and the V & A is hopeful that in the next twelve months *revenue from the voluntary* charge will rise. There *are already signs that visitors* are paying more than the average 40p.

The fall in the number of overseas tourists undoubtedly contributed to the lower than anticipated revenue. Unlike British visitors they are more likely to pay for entry—around two thirds did so while almost two thirds of visitors from London refused to make any *contribution. In all just over a* half of the people entering the V & A responded to the Trustees initiative.

But if visitors have been meanspirited the V & A has been very successful in getting sponsorship in the past year. This month a refurbished medieval treasury opens, thanks to THF, and in December Toshiba lends its name and money to a bigger and better Japanese gallery. In the summer the Pirelli gardens will be completed.

Along with the new shop in May, and a Chinese gallery in October, to say nothing of the Theatre Museum in Covent Garden, which should be ready by April, Lord Carrington hopes that the run of bad news stories about the museum have come to an end and be replaced by a more optimistic strain. If the V & A does look as marvellous in a year's time as director Sir Roy Strong imagines all the turmoil will have been worthwhile.

Antony Thorncroft

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Tuesday November 4 1986

Sinn Fein's challenge

THE DECISION of Sinn Fein, the political wing of the Irish Republican Army, to seek and take up seats in the Irish Parliament is a fundamental challenge to the established political parties in the Republic. Not only is Sinn Fein hard left in a way that Irish left wing parties, such as they have existed, have never been; it also remains as committed as ever to the armed struggle. As successive speakers at the party's conference in Dublin at the weekend repeatedly explained, seeking entry to Parliament is an attempt to open up another front. It is not reformism; it is a continuation of the struggle by extra means.

Strictly on its own terms, Sinn Fein is right. The party has long ceased to make the political inroads in the Republic it has made in parts of Northern Ireland. "It is a massive mistake," Mr Gerry Adams, Sinn Fein President, said on Saturday, "to presume that our republican attitude to Leinster House (the home of the Irish Parliament) is shared by any more than a very small section of our people, especially the citizens of this state (Ireland), who might otherwise be open to our policies on all other issues."

Socialist republic

Abstentionism — the policy of refusing to take up Parliamentary seats which was dropped at the week-end conference — had rendered Sinn Fein irrelevant to the great majority of the people in the south. The party's aim now is to enter politics by the front door as well as the back.

It may be said—indeed is being said by the established parties—that the challenge presented by Sinn Fein is very slight, and Mr Adams was careful to cover himself by saying that the party will seek to make its mark not so much in the next Irish general election, due within 12-months, as in the one after that.

Yet it is still worth remembering that it is a revolutionary party, whose members take pride in the dual policy of the ballot and the bullet, that it is pledged to the introduction of a 32 county (all Ireland) socialist republic, and that even a small party, capable of playing on social, economic and local grievances, can have an influence way beyond the size of its vote.

Some sign of this influence can be seen in the way that Sinn Fein is opposing the Single European Act, shortly to go before the Irish Parliament. In recent times, almost anything labelled "European" in Ireland has been virtually sacrosanct. The Act codifies a degree of European Political Cooperation. Sinn Fein is against it because the party says it undermines Irish sovereignty and Irish neutrality.

It cannot be entirely coincidence that Mr Charles Haughey, the leader of the Fianna Fail opposition, has become more critical of the Act than he might have been. Although he will not vote against it, he does not want to be outflanked by a party that is more republican than his own, so there is a temptation to trim in Sinn Fein's direction.

The results of temptation would become much more serious if he were to veer any way towards Sinn Fein's position on the Anglo-Irish agreement, signed a year ago this month. Sinn Fein is totally opposed to it, not least because it believes that no Irish person has the authority to negotiate any treaty about any issue with the British Government while Britain claims jurisdiction over any part of Irish national territory. Mr Haughey has mixed feelings about the Agreement, but has recently suggested he could live with it if it can be—in the classic political word—"renegotiated." Any attempt to appease the rejectionism of Sinn Fein would suggest it is the latter that is holding the cards.

Total opposition

In his speech on Saturday, Mr Adams was wholly contemptuous of Dr Garret FitzGerald, the Irish Prime Minister, and his Fine Gael Party, dismissing it as "the Irish political wing of Margaret Thatcher's British army." He had much less to say about Mr Haughey and Fianna Fail. The reason must be that he is hopeful of a certain pliancy in the Fianna Fail vote: either Mr Haughey moves to a more republican position or he loses some of his electorate to Sinn Fein.

Mr Haughey may again be Irish Prime Minister within the next year. He needs to declare his total opposition to Sinn Fein as soon and as sharply as possible. For the events of the weekend demonstrate that the political wing of the IRA is potentially even more a threat to the stability of the Republic than it is to Northern Ireland.

Syria, Iran and the West

BRITAIN AND its Western allies are finding it ever more difficult to agree on anything approaching a single, coherent attitude towards one of the more improbable relationships in the Middle East—that between Iran and Syria. Both countries are, in their different ways, hostile to Western interests in the region. They use political violence as an arm of policy. Neither plays the diplomatic game according to rules accepted elsewhere. Yet they remain vital elements in regional stability and are adept at using key pressure points to confuse their opponents.

Religious sway

Syria, found guilty by Britain just over a week ago of trying to murder 380 people in an Israeli airliner, will shortly be expecting some Western gratitude for assisting in the release of one or more of the hostages held in Lebanon. It may also, but very obliquely, look for a little French appreciation for the recent reduction in terrorist bombing in Paris. Naturally, Damascus does not accept any responsibility for hostages or bombs. But it might, when asked, seek to exert some influence on those more directly involved in such crimes.

Ayatollah Khomeini's regime in Tehran can be of help to Syria, although it, too, disclaims any involvement in terrorism. While Syria exercises physical control over part of Lebanon, Iran holds greater religious sway over some of the more radical Shi'ite factions. They can, as was seen again on Sunday, be persuaded to give up their hostages. Syria meanwhile continues to supply Iran with weaponry to pursue its six-year Gulf war and blocks Iraqi oil exports from flowing across its territory.

It is therefore argued in Western capitals, with some justification, that on war and peace issues, and on basic humanitarian grounds, it is essential to keep open the lines of communication to Damascus and Tehran. This was the response Britain received when it sought support for its decision to break relations with Syria. Even the US, which in April bombed Libya because it believed Col Gadaffi was behind the attack on a West Berlin nightclub, went no further than temporarily to withdraw its ambassador from Damascus.

The roles are reversed in Tehran where Britain maintains an interest section which is virtually an embassy, and the US has had no representation at all since the 1979 hostage crisis. Yet the future of the Gulf in the next few years may well depend on decisions taken in Tehran. Nowhere is this better appreciated this week than in Abu Dhabi where the heads of state of the six conservative monarchies of the Gulf are holding their annual summit.

Iran will be topping the agenda in most of their discussions, whether because of its often-repeated threat to launch a "final, decisive offensive" against Iraq, because of its increasing number of attacks on shipping (stretching further south into the Strait of Hormuz), or because of the increasing weight it is exercising within the Organisation of Petroleum Exporting Countries.

This resurgence of Iranian influence, especially among the other Gulf countries which support Iraq in the war, is uncomfortable for the Western democracies.

Effective co-operation

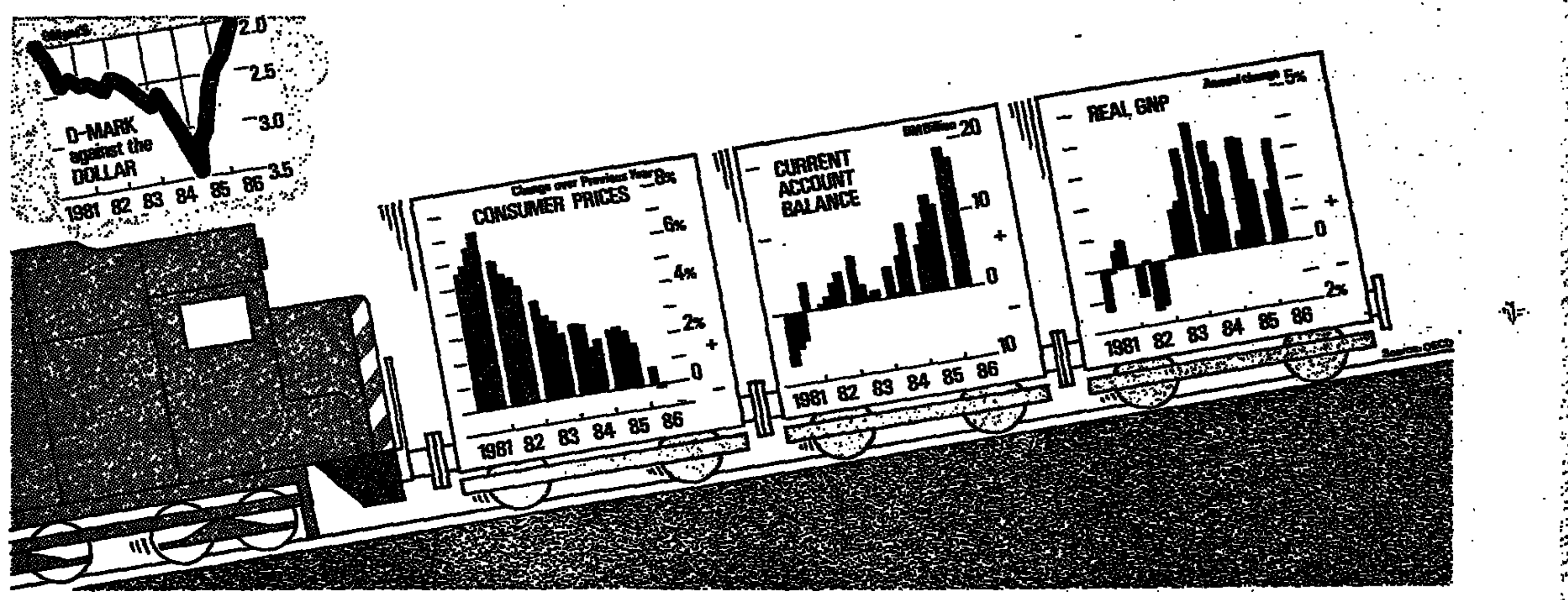
But there is no simple resolution to the dilemma. Each Western nation tends to have different appreciations of the same problem and conflicting national interests, be they political or commercial. It is all the more necessary to maintain a common purpose on wider aims —such as the need to prevent an Iranian victory over Iraq or dampening the risk of war between Syria and Israel—while acknowledging that there cannot be a unified diplomatic response to international terrorism.

If that is accepted, it may help the West to concentrate on those areas in which it should be easiest to co-operate effectively. In particular that means curbing arms supplies, a further tightening of visa restrictions, a far greater preparedness to ban airlines used for ferrying explosives, better integrated intelligence services and perhaps a more basic reappraisal of the immunity given to diplomatic bags. Policies of containment rather than cure can smack of vacillation, but in the case of Syria and Iran there is no responsible alternative.

THE WEST GERMAN ECONOMY

A bumpier stretch ahead

By David Marsh in Bonn



WEST GERMANY'S steady economic shunting engine has this year resolutely ignored US calls to turn itself into a powerful locomotive.

Yet last weekend's US-Japanese agreement, combined with signs that next year the German economy could run out of steam, look likely to increase pressure on Bonn to switch economic track — or run the risk of driving into the siding.

The country's expected average growth rate for 1986, a respectable if unspectacular 3 per cent, is higher than that in any other big industrialised country except Italy. It is one of the main reasons, along with falling consumer prices and sharply higher real incomes, for Chancellor Helmut Kohl's centre-right coalition appearing to be chugging fairly comfortably towards victory in the general elections in January.

For next year, however, with external influences which have boosted this year's growth starting to flag, and with the threat of a further dollar slide still not banished despite the US-Japanese accord, the outlook is cloudier.

And, despite all the pre-electoral optimism coming out of the corridors of economic power in Bonn, the questions which have been at the root of the past few months of acute disagreement with the Reagan administration over the steering of the world economy are as acute as ever.

Europe's most powerful economy has relied on an export-driven stimulus, the consequence of the previous US economic boom and an over-valued dollar, for most of its four-year swing out of the painful 1981-82 German recession. It has also profited greatly from this year's once-and-for-all boost in real incomes deriving from the fall in the dollar and the oil price.

Now that the dollar, after its sharp fall during the past year, is still not totally stabilised — even though it has risen to above DM2 since Friday—and US growth prospects are uncertain, the doubts are coming to the fore. Can West Germany manage to switch to domestic demand-led expansion, both to maintain the growth impetus next year and to suck in sufficient imports to make a dent in its massive foreign trade surpluses?

Or will the economy falter on the famed policy-making caution which has made the Government and the Bundesbank (central bank) unwilling to relax the fiscal and monetary reins this year in spite of negative inflation and an unemployment total well above 2m?

Germany's five leading economic research institutes, in their autumn report on the outlook issued last month, have pointed to the danger that the more pessimistic forecast will come true.

They have backed up international calls for the Government to bring forward tax cuts and suggested that the economy, though still currently on track for another 3 per cent average expansion in 1987, is likely to falter in the second half of next year.

If that happens, the uncomfortable dilemma faced by the Bonn Government will become as sharp as a knife-edge. It will have to choose either to loosen up its conservative anti-inflationary objectives — or accept that a continuation of the country's very large external surpluses will drive up the D-Mark further and cause severe problems for export-oriented German industry.

The German balance of payments is continuing to benefit from this year's big drop in import prices and the normal lag of up to 18 months before foreign trade patterns react to currency changes.

The five institutes predict that the current account surplus will remain hardly changed at DM 60bn next year against DM 70bn in 1986. This is disputed, however, by the Bundesbank which thinks the D-mark's 50 per cent appreciation against the dollar over the past 20 months will work through more quickly in reducing the surplus.

Manufacturing industry, after an exporting splurge, particularly to the US during the past three years, is starting to complain about the rising D-mark. Manufacturing orders from abroad showed an annual fall of .7 per cent in real terms during July and August, while German motor companies have launched a so-far unsuccessful campaign for import restrictions on Japanese cars piling into the booming domestic vehicle market, where they now have a 15 per cent share.

Officials at the Finance and Economic Ministries and at the constitutionally - independent Bundesbank are aware of the clouds hanging over 1987. These include the danger not only of a further rise in the D-mark against the dollar but also of strains in the European Monetary System where a D-mark revaluation seems almost inevitable in coming months (most likely, just after the elections).

But, for the moment at least, the mood in Bonn and Frankfurt is one of uncompromising refusal to relax the policy stance.

The Germans have been considerably irked by the Reagan administration's zig-zags in policies over the dollar—first an acceptance of its heady and damaging rise between 1980 and 1985 and now an apparent willingness, broadcast at least from parts of Washington, to see perhaps an equally damaging further decline.

The breakdown in trans-atlantic co-operation has been underlined by the American refusal to understand, let alone to take account of, traditional German sensitivity about inflationary risks. With German consumer prices this year 0.5 per cent below last year's level, and heading for a rise of only 1 or 2 per cent in 1987, the Federal Republic insistence that there is no leeway to boost the economy has been difficult to accept for many of its trading partners.

The German refusal to play a more active and outward-looking role in world economic management partly reflects the prevailing fatalistic view of the country's long-term growth potential. One very senior monetary official says that, with exports accounting for around one-third of gross domestic product, growth chances in the German economy depend overwhelmingly on foreign demand — likely to be sluggish from now on.

And with domestic demand opportunities limited by "a satiated and declining population," this year's sharp increase of around 4 per cent in real internal demand (after several years of near-stagnation) represents about the maximum Germany can deliver, he says.

Any hopes of an understanding between the US and the Germans over stabilising dollar-D-mark rate were dashed at annual meeting of the International Monetary Fund at the end of September. Mr James Baker, the US Treasury Secretary, disappointed the Bundesbank by refusing to agree that the Federal Reserve would formally commit itself to stabilising the dollar at around DM2.

Bonn officials, who have expressly welcomed the Bank of Japan interest rate cut, make a clear distinction between the German and Japanese positions in the debate over world growth. Germany, they say, is already doing much more than Japan to suck in imports. And the Bank of Japan action was justified on the grounds that the Japanese economy has already shown clear signs of flagging—in contrast to continuing steady expansion since the summer in the Federal Republic.

Underlining the new assertiveness in Bonn, Mr Gerhard Stoltenberg, the Finance Minister, again told the Bundestag (federal parliament) last month that the Government had no intention of taking "short-term" stimulatory action.

And, backing up the view of his officials that the US, after six years of "Reagan revolution," needs to take deep-rooted structural economic action to stop a slide into net foreign debt of potentially $1,000bn by the early 1990s, Mr Stoltenberg called on Washington to put its own house in order before attacking Bonn.

Paradoxically—and disturbingly for the world economy—the open disagreements with Washington have hardened belief in Bonn and Frankfurt that German economic policy is on the right track.

Unemployment is likely to remain at well over 2m by the end of next year even after five years of recovery. The five economic research institutes are predicting a 1987 total of 2.12m (against 2.23m this year) or 8.5 per cent of the workforce. Compared with only 3.5 per cent as short a time ago as 1980, this amounts to a huge waste of resources. But it is a subject which the SPD is having difficulty in turning into a vote winner.

The present coalition has switched to charting the steady rise in employment totals—up 300,000 this year and likely to rise another 250,000 in 1987—as its main yardstick of the health of the labour market.

Mr Stoltenberg is putting into place a two-part programme of tax cuts totalling DM 20bn, the first stage of which took place this year, with the next planned for 1988. But he has laid down reductions in state subsidies as a condition for further tax cuts proposed for the end of the 1980s.

The Khol administration's unwillingness or inability so far to stop subsidies growing in areas ranging from coal-mining to agriculture therefore places a big question mark over the size and scope of Mr Stoltenberg's ambitious tax reform programme for the next legislature period.

Both because it does not want to give voters any reason to doubt predictions of a continuing upswing—and also because the economy has made a genuine rebound since the summer after a sluggish start to the year—the Bonn government is putting off any question of stimulatory action until next spring.

At the Bundesbank, there is similar reluctance to relax credit policy—even though real interest rates are much higher than during past phases of upswing. Mr Karl Otto Poehl, Bundesbank president, although originally from the ranks of the SPD, significantly gets on far better with Mr Stoltenberg than he did with Mr Hans Matthoefer, the previous SPD Finance Minister. During a time of tension between the central bank and the Schmidt government in 1981-82, the Bundesbank's tight policies were blamed for aggravating the recession.

The Bundesbank, which is likely to overshoot by at least 2 percentage points its already relatively generous 1986 target of 3.5 to 5.5 per cent for the growth of money stock (the key German measure of liquidity in the economy) believes it cannot risk for the moment a further cut in its discount or Lombard rates, set at 3.5 and 5.5 per cent respectively.

Depending on how the economy performs over the next few months, the Government and the Bundesbank may find that the present reasons for not changing economic tack before the elections become progressively weaker.

Mr Wolfgang Roth, the voluble spokesman on economics in the SPD parliamentary grouping, says he finds "irrational" the authorities' failure to budge. He believes the downturn in export orders will bring about "the first signs of recession" in the German economy in December or January.

A more rounded view—and one with which Mr Poehl in private may have some sympathy—comes from Mr Ulrich Ramm, senior economist at the Commerzbank in Frankfurt. Like the five economic institutes, he believes Mr Stoltenberg—assuming the centre-Right government is returned to power—should bring forward the planned 1988 tax cuts, as well as his more ambitious tax reform proposals at present planned for the end of the decade.

And he adds: "If the Americans move to a restrictive policy through cutting their budget deficit, then Europe will have to give some support. We (in Germany) will have to think and act a little more in terms of expansion."

The authorship of the feature on Saturday's leader page, A Shadow at Dawn, was incorrectly stated. It was written by Alan Cane and Clive Wolman.

Men and Matters

Teamsters ride into town

Jackie Presser, general president of the International Brotherhood of Teamsters, Chauffers, Warehousemen and Helpers of America, the largest trade union in the US, had members of the London Chamber of Commerce spluttering on their Pastoral Blanc yesterday.

He arrived at London's Churchill Hotel — all 18 stone of him — accompanied by a razzmatazz of henchmen. He greeted one bemused photographer with a generous embrace: "Hey kid you must work for Murdoch," and then proceeded to inform Keith Raffan, Conservative MP for Wales North East of the "magic" of President Reagan.

As "Jackie" poised for more photographs with David Warburton of the General, Municipal, Boilermakers and Allied Trades Union, his aides got to work. They handed out "communications kits" complete with "Save US jobs. Buy American" stickers, a full blown colour portrait of Jackie himself, and another one with Silvester Stallone. "We're making it our war. Stallone Joins Teamsters in the Fight Against Drugs" was the heading on the booklet. Needless to say, Stallone looked just like Rocky and Jackie like his manager.

The chamber had invited Presser to offer his views on US-British economic ties — a pretyped copy of the speech was made available with the Crecy a l'Ancienne just in case he forgot. In the event Jackie failed to rise from his seat after the Souffle Glace au Grand Marnier and instead treated his hosts to some fighting stuff about his union's unique contribution to corporate America.

"We are great in international trading; we are great in the financial world; we are great in everyday living. We are the only union of any size that endorsed Reagan twice."

Presser conceded that his union "had felt the wrath of the media" over the past decade.

Of his predecessors, Jimmy Hoffa had disappeared without trace and was alleged to have been buried in concrete and three others had gone to prison.

Presser who has been indicted in several criminal investigations but has not been convicted, hopes to set the record straight in London, at least, in more meetings with MPs and, inevitably, Clive Jenkins.

Ost politics

Friedhelm Ost must have mixed feelings about his decision to leave journalism last year to become Chancellor Helmut Kohl's chief spokesman in Bonn.

He is now at the centre of a particularly unpleasant row about whether his boss really did compare Mikhail Gorbachev's public relations skills with those of Joseph Goebbels.

The comparison was published in the US magazine Newsweek and, not surprisingly, has led to a potentially serious rift between Moscow and Bonn. Ost it was who, on being given a transcript of the interview by Newsweek, not only sanctioned it, but actually added a brief description of who Goebbels was in the days of the Third Reich.

This is what he approved: "He (Gorbachev) is a modern communist leader who understands public relations. Goebbels, one of those responsible for the crimes of the Hitler era, was an expert in public relations too."

Ost is now telling anyone who will listen that he tried to dissuade Newsweek from referring to Goebbels at all.

The chancellor's spokesman, and the chancellor himself, have a history of such difficulties, however.

In the early summer the Herald Tribune conducted an

"It's foolproof — we just tell them it's a share issue"

interview with Kohl in which he indicated on tape some concern about his party's ability to win a close election in Lower Saxony. Those doubts were quickly picked up by the local Press, and Ost was next seen issuing a "transcript" of the conversation which bore little relation to what was actually said.

In February Kohl was being investigated for having allegedly misled a Parliamentary inquiry in Mainz about party financing—a senior colleague explained at the time that the chancellor had not lied but had had a blackout while giving evidence.

Ost decided to issue a note, in German, guiding the foreign Press about German legal process. The purpose, said the note, was to help avoid "spectacular" reports overseas about the chancellor's future. Within hours that was being withdrawn and replaced with one that referred less rudely to "speculative" reports.

Suard's deal

Pierre Suard, the new chairman of France's nationalised Compagnie Generale d'Electricite (CGE), the country's leading telecommunications and engineering conglomerate, has quickly made his mark.

He used the occasion of his first major meeting with the press yesterday to announce glowing first half financial results for the group which is due to be privatised next year and an enlargement of CGE's landmark deal with ITT.

The deal, negotiated by his predecessor, Georges Pebereau, is designed to create the world's second largest telecommunications venture after American Telephone and Telegraph (AT & T).

Suard has now decided to extend the deal to include the two groups' cable and optic-fibre operations—not surprisingly, since he headed CGE's highly successful cable subsidiary, Cables de Lyon, before taking up his present post.

Suard yesterday also confirmed his reputation as a hard-nosed, non-nonsense industrial manager who intends to be in full management cotrol of the new venture. He has made it clear he would prefer the French group to control 51 per cent of the new company rather than enlist a series of other European partners to reduce the overall cost of its operation.

Pebereau had originally envisaged a structure whereby ITT would own 37 per cent of the joint venture with the remaining 63 per cent held by a European consortium called "Euroteltel," controlled by CGE but with stakes of about 10 per cent each of Societe Generale de Belgique and Telefonica of Spain.

"Eurotel," however, is now being dropped and a more streamlined structure involving a company registered in Holland is being set up.

Observer

Letters to the Editor

The congenial framework of the Commonwealth

From Mr H. Singer and Mr H. Evans

Sir,—In "Can Britain get along without it?" (October 7) Sir Michael Butler argued that there was a fundamental clash of interests between Britain and the Commonwealth over the issue of South Africa, in particular over sanctions. He argued that more active policies against the white minority régime would not only damage Britain's economic interests in South Africa, but might even precipitate an international banking crisis should successful sanction prevent it from honouring its international debt. How useful, then, is the Commonwealth to Britain? Is it true that it will be against Britain's interests to pay more attention to Commonwealth views?

There have been historical moments when the Commonwealth has been of great importance to Britain. Recently, the Commonwealth played a decisive role in the Rhodesia settlement, leading to the birth of Zimbabwe without repudiation of foreign debt or nationalisation of foreign capital. Britain also found the support of the Commonwealth important in the Falklands issue. Thus, the answer to Sir Michael's question: "Can anyone point to an occasion in the last decade when the existence of the Commonwealth enabled Britain to achieve foreign policy objectives which it would not have achieved so easily otherwise?" is "Yes, we can!"

It is possible to imagine a scenario whereby the Commonwealth, and the frontline states bordering South Africa assist in bringing an end to apartheid with rather less bloodshed than might otherwise be the case without grave damage to Britain's short-term economic interests, and without bringing about the collapse of the international financial system. There is no need to choose between South Africa and the Commonwealth.

There is a level of unrest and *struggle against the régime in* South Africa which could develop into open civil war and revolution. The policies of Her Majesty's Government, including opposition to sanctions, will not guarantee either British interests in South Africa, or prevent a situation arising in which the South African Government is unable to pay its debts. A set of more active policies, including biting sanctions, could well hasten transformation to majority rule and a series of economic reforms which may be much more conducive to Britain's long-term economic interests than would arise if its present policies continue. Support for anti-apartheid forces now would make it more likely that British trade and investment links are preserved, and less likely that debt would be repudiated. (No serious advocates argue either that sanctions will be decisive, or that they may not have some short-run costs for the black population, or that the final shape of a longer-run outcome can be predicted now.) The point is that black leadership in South Africa is asking for such support, and it is up to Britain and others to make sure that the short-run costs are minimised, and that the risks of default are minimised by having contingency plans.

If Britain should decide to leave the Commonwealth, its trading links can only be replaced at some cost. South Africa is one of the leading moral questions of our times. It might well be that it is in Britain's longer-run interests to be persuaded by the Commonwealth to take part in more active programmes to bring about the end of apartheid.

Suppose that in the end there is a choice between South Africa and the Commonwealth as Sir Michael thinks there is. He does not question that the Commonwealth connection has clearly been accompanied by additional trade links. We ex*port to the Commonwealth nine* times as much as to South Africa. Our share of imports by Malaysia and Singapore is double that of Thailand and the Philippines; in imports by Nigeria, Kenya and Ghana a high multiple of that of Senegal, the Ivory Coast, Zaire or of the North African countries; in imports by Jamaica three to four times higher than in imports by Guatamala, Honduras or Cuba; in imports by India three times higher than in China, etc.

Sir Michael argues on the basis of a "straw poll of a tiny but representative sample of businessmen," that "this has nothing to do with the existence of the Commonwealth, but is due to their own long-standing efforts." But why did his businessmen find it worth while and possible to make their "efforts" in the framework of the Commonwealth, rather than Thailand, Cuba, the Ivory Coast, or Ethiopia? It strains belief that the existence of the congenial framework of the Commonwealth had nothing to do with this. When they assure him that nothing will be changed "if the Commonwealth disappeared overnight," one can only hope that this view will not be put to test.

H. D. Evans, H. W. Singer.
Institute of Development Studies.
University of Sussex, Brighton.

Inheriting the Orlando mantle

From Mr C. Bruce

Sir,—I must admit that Mr Colin Amery, your architectural correspondent, packs quite a punch in his article, "Back to the future" (October 27). In a valiant attempt to conserve the fabric of the market town, reclaim the wastes of derelict land and find a second-hand bookshop, he ends up in a frightful muddle, blaming everything on Walt Disney.

Poor old Walt. It appears that he is responsible for damaging "our national imagination" by inspiring, "ersatz creations" in the form of, "Disney-like fake towns," which litter the landscape, "like limbo-land — islands of video shops surrounded by seas of cars," and dilute our, "environmental experience," complains Amery; he thunders, "this is a far cry from what the nation needs."

I suggest, however, we can learn a great deal from Walt Disney *and more particularly,* from the phenomenal economic growth of the state of Florida which followed the development of Walt Disney World at Orlando in 1966. By 1983, the population of Orlando was growing at a rate of 10 per cent—faster than that of Dallas, Phoenix or San Diego. In the same year, Orlando attracted $1.4bn of new investment which created 10,000 new jobs. In 10 years, the number of hotel rooms leapt from 6,000 to 42,000 to cater for the 37m tourists who poured into central Florida spending $2bn in 1984.

It is doubtful whether this phenomenal growth would have occurred in the absence of Walt Disney. As a leading Florida banker claims, "Disney was the catalyst . . . Disney accelerated everything."

If Mr Amery ignores this then he is no friend to the unemployed or indeed to the people of Corby who believe that they are set to inherit the Orlando mantle as the first phase of WonderWorld draws near. At £150m it will take the Disney concept further than ever envisaged by Walt and create a wholly British theme park based on 12 years of exhaustive research into the cultural requirements of the British people. Its architectural design is a tribute to the creative skills of our finest architects while its 13 themes will involve leading figures from the arts and sciences: no ersatz here. Mr Amery may even find a secondhand bookshop.

Charles Bruce,
9 Charlton Place, SW1.

The great profits conspiracy

From the Vice President, Tillinghast, Nelson and Warren

Sir,—Michael Prowse (Lombard October 30) tells us about the great profits conspiracy that arises from the use of outdated, and often irrelevant, cost levels when calculating profits. The profits of life assurance companies are calculated on an even less meaningful basis. The cost of goods sold is allowed for at the highest level that might possibly be the case. Not surprisingly, this produces a loss for the life company. Profits arise as the cost of sales allowed for in previous years is revised down to a more realistic level. The published profits of life companies do not show a true and fair view of each year's trading—they show a sum of understated profits for the current year plus profits arising from earlier years' trading.

This state of affairs is the result of using a balance sheet which is designed to test the solvency of a life company. This balance sheet is needed as a safeguard for policyholders' security. We also need a realistic valuation of the future profits locked away in these pessimistically calculated balance sheet liabilities. Properly constructed, with allowance for the timing and uncertainty of the emergence of these profits, such a note to the balance sheet would enable investors to guage a realistic measure of the value added by each year's trading.

W. E. Lee,
15-19 Bloomsbury Way, WC1.

Green and worth £2bn

From the Editor, Materials Reclamation

Sir,—I must take issue with Jonathon Porritt ("Time for a Green approach to wealth creation," October 29). He claims that, since the Department of Trade and Industry published "Wealth of waste" in 1984 "not a single significant initiative has emerged from the department."

If Mr Porritt does not consider it "significant" that on April 15, 1985 a government minister was appointed with co-ordinating responsibilities for reclamation and recycling activities, then so be it.

The appointment was greeted with a certain amount of cynicism at the time by those who had seen government interest in recycling wax and wane more than once in the past. The formation of the Waste Management Advisory Council, abolished in the early 1980s, bears witness to the fact that government initiatives in this field can be less than permanent. But then, so are governments less than permanent.

It must be admitted that the first co-ordinating minister, Mr David Trippier, lasted only a matter of weeks before the September parliamentary reshuffle presented him with other responsibilities. He was succeeded by Mr John Butcher, MP, *who has expended* the "co-ordinating role" because he feels that more can be achieved if he acts as a catalyst for growth in the reclamation industry.

Mr Butcher was a significant force behind the production of a major DT Industry video entitled "Watch your waste," which was launched to an audience of more than 100 prominent industrialists last month. The DTI has been inundated with requests for copies of the video — from local authorities and general industry, as well as the already converted reclaimers of the UK.

The West German Government, Mr Porritt observes, is involved "in a £2bn clean-up campaign." That is laudable, but West German municipal authorities, "for the good of the environment," they say, are stimulating largely unwanted collections of waste paper for which they have no end use. The material is flooding the European market to the extent that prices have plummeted and many waste paper merchants could go out of business. It has yet to be proven whether West Germany is acting in breach of the Treaty of Rome on that score.

Coincidentally, the UK's reclamation industry has a turnover of about £2bn—founded entirely on private enterprise. The industry does not require government intervention beyond that which guarantees that it is free to trade within natural market conditions dictated by the law of supply and demand.

I agree with Mr Porritt's observation that there is "a long way to go" before the wealth creation of the conservationist industries is fully recognised as such.

But one has to accept that any sort of environmental activity will swiftly cease if it is not economic. One first has to stimulate demand. If there is no demand, there is no industry.

So, please, Mr Porritt, give Mr Butcher some credit. His appointment may not be significant in your book, but he is the focal point of a £2bn industry that would disagree with you.

Pat Stirling,
PO Box 109, Maclaren House, Scarbrook Road, Croydon.

Lower house prices

From Mr J Sams

Sir,—The article by John Muellbauer (October 23) does not take into account one very considerable advantage of lower house prices. One question I would like to ask is what proportion of the UK's financial assets is tied up in houses compared to our industrial competitors (bearing in mind population density, Green Belts, and the overall financial attraction of the south east).

If our house investment proportion could be reduced, then surplus funds would seek financial performance elsewhere, such as industry. If houses were a less attractive investment, egalitarian aims would be achieved and renting could be easier, mobility greater, and investment in productivity greater.

It would require less dogmatic attitudes by both political parties to ensure a smooth move from house investment to productivity investment; but please, *less taxes, not more.*

J. D. Sams
23 St Lawrence Avenue, Bidborough, Tunbridge Wells, Kent

Grandfather was right

From the Managing Director, Dowa Insurance Co (UK)

Sir, — The start-up problems with Seaq recalled to mind my grandfather setting before me empirical rules for designing garden sheds.

It was vital he explained not only to consider working space together with all the implements one owned, but also to think ahead carefully and plan for additional activities and implements yet to be purchased. Then when one had formed a clear and far-sighted vision of the maximum capacity needed, it was necessary to double this figure and construct accordingly.

This, he assured me, would unfailingly result in a shed that was half the size one actually needed.

Peter F. Welstand.
14, Trinity Square, EC3.

Performance-linked health service pay system

From Mr B. Glover

Sir,—Your analysis (October 29) of the proposed new NHS performance-linked pay system lacked only some estimation of the possible consequences for the quality of provision.

The euphemisms "performance" and "*achievement* of targets" conceal the realities of a cash-limited budget within an environment of chronic under provision and underfunding. Any major waste was squeezed out of the service many years ago and the savings currently being reported pay no heed to their consequent effects. Claims that overall spending has increased are only viable on the most simplistic of economic analyses and provided that very important demographic changes are ignored. Spending in many areas—particularly salaries and wages — has *clearly failed* to keep pace with any accepted index of increased costs, and in such a situation, so-called *efficiency savings* can only be achieved by an overall reduction in the level of provision.

Even those targets ostensibly concerned with the improving of mortality or morbidity will, within a cash-limited budget, result in a reduction in current spending elsewhere; it is silly to suggest that death-rates *can* be lowered without the need to spend often large sums of money.

It used to be a standard joke among departmental managers when senior administrators refused requests for expenditure; "One *would think* he was being asked to pay for it out of his own pocket," was the frequent complaint. Under the new graded incentive scheme, that, in effect, will precisely be the case.

On a more speculative level, it may be argued that the new proposals will achieve the *opposite* effect to that intended. Bands 1 and 2 will, by definition, be reached competitively (only 20 per cent and 40 per cent respectively as maxima) and will therefore be seen to require not only the achieving of targets, but the exceeding of these targets. Scope for significant improvement, as previously mentioned, is severely limited *and this year's Band 1 high flier,* who fires all the ammunition prematurely, may find that she or he is next year languishing in Band 5 and fearing for non-renewal of contract.

Thus, the sensible manager with a family, a mortgage and a credit card to keep happy will be well-advised to take the long-term view.

The plan should be to identify all the areas for possible activity skilfully to ensure that the targets set are modest ones, and to aim to fulfil them just sufficiently to sustain a permanent place in Band 3.

The sensible manager needs a continuous supply of moderately ambitious schemes to keep the process simmering along until a year or two before retirement. Then to go for the "big one," pull out all the stops, and leave the service in a blaze of glory and a 20 per cent pay rise.

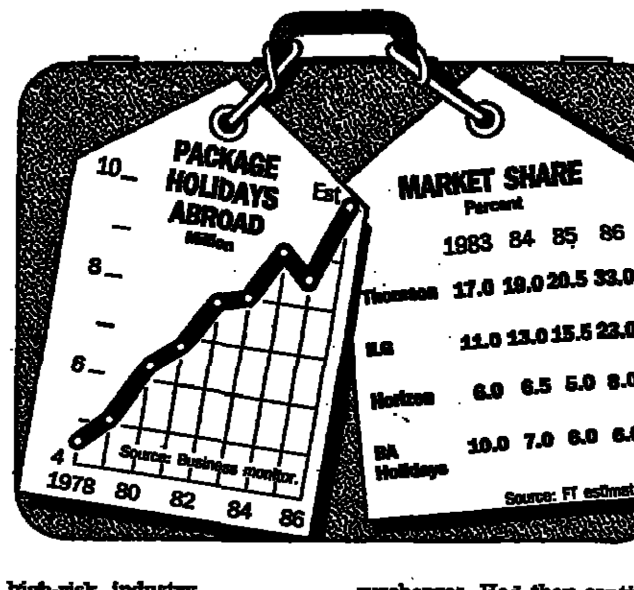
NHS managers are not fools and *very few will welcome* the *idea* of burning themselves out of jobs. These new proposals are therefore, arguably going to lead to a normalisation on the mediocre, to a general lowering of the quality of provision, and as a further incentive and boost for the commercial sector of medicine. A genuine incentive scheme would not be competitive, and neither would its funding come from existing cash-limits.

Bryn Glover,
(Labour Party Prospective Parliamentary Candidate, Leeds North East),
14 Wensley View, Leeds.

UK package tours

A phoney price war

By David Churchill, Leisure Industries Correspondent



BRITISH holidaymakers, it seems, have never had it so good.

Almost daily they are wooed with offers of cheap holidays—such as £29 to Greece for one week or £59 for two weeks on the Costa del Sol. It is all part of the fierce promotional price war being fought out by the UK's major package tour operators.

Tour operators' publicity gives the impression that average holiday prices for next summer will be no higher than this summer's, when in real *terms they were lower than for* many years.

Leading travel agency chains are also getting in on the act, offering discounts and special offers—such as cheap insurance —following the recent Monopolies and Mergers Commission ruling allowing them to compete in this way.

However, according to Mr Mike Goodhill, general manager of Thomas Cook Holidays, consumers are being "bedazzled" by the price war publicity. "Holidaymakers will find that in many cases they will not be getting the same value for money as last year."

Even Mr Harry Goodman, the ebullient chairman of the International Leisure Group, whose Intasun tour operating subsidiary is one of the key players in the game, admits that there is some travel trade hype at present.

"Of course there are bargains to be had for the early bookers," he says. "But prices on average are likely to be 5 to 8 per cent up next summer." A revised summer 1987 brochure, with higher prices, is also likely to be published by Intasun at the beginning of next year.

The sales talk surrounding next summer's package holiday prices seems set to reach a new frenzy next week when the UK travel trade decamps to Australia for its annual convention. Many independent travel agents and smaller tour operators will be worried that the competition between the three "majors" — Thomson Travel, Intasun and Horizon Holidays — will squeeze their margins and put them out of business. Already this year several small operators have gone bankrupt — but no more than is usual in a volatile and high-risk industry.

The new spirit of competition in the travel trade owes much to last year's downturn for the holiday business when the number of holidays sold fell by some 6 per cent compared with 1984.

Thomson Holidays, the acknowledged market leader, reacted sharply to this slump by launching swingeing price cuts—by up to 20 per cent—on an unsuspecting travel trade this time last year. Thomson was able to take this step because a massive investment in new technology had enabled it to cut operating margins and cope with a large increase in volume of business.

This price-cutting strategy—reluctantly followed by the other operators—paid off handsomely for Thomson. Not only did the overall market grow by 20 per cent this summer to reach a record 10m package holidays, but it also enabled Thomson significantly to increase its market share from 20 to over 30 per cent while doubling the volume of holidays sold to 3m. It was a bold use of a pricing strategy reminiscent of the Operation Checkout campaign launched in the UK by Tesco supermarkets in 1977.

But these high-risk tactics nearly went wrong. Oil prices started to go up immediately after Thomson launched its price cuts and guarantee of no-surcharges. Had they continued to rise, then the travel trade would have fallen into chaos. It was only the Organisation of Petroleum Exporting Countries' surprising decision to chase market share at the cost of falling oil prices that came to the trade's rescue.

Of the Big Three tour operators it was the market leader Thomson which looked best placed to win a price war. Its pre-tax profits in the 1985 calendar year rose to £40.4m, a rise of over 28 per cent on the previous year.

International Leisure *Group* reported pre-tax profits for the year ending March 31 1986 down by 5 per cent over the previous year to £23.5m. Horizon Travel, in the six months to May 31 this year, reported a pre-tax loss of £5.4m, against a profit of £10.7m in the same period last year.

The vulnerability of the travel trade is also shown by figures from the Civil Aviation Authority. Eight of the top 30 tour operators recorded losses totalling £19m last year.

Apart from the favourable drop in oil prices, the tour operators benefited last summer from the stability of Spanish hotel prices (which had risen sharply in 1985) and the strength of sterling against the peseta and the drachma. (Spain and Greece are the favourite destinations for the British holidaymaker.)

With all the major companies achieving high volume growth this year, the travel trade was expecting a truce in the price war to enable the operators to restore profit margins. That expectation was borne out when Thomson Holidays published its main brochures last month. Despite all the publicity about cheap holidays, Thomson has not launched another round of price cuts.

Now that the other tour operator brochures have been published, it is clear that an exact repeat of a 1985 holiday (same hotel, flight, and so on) will cost considerably more next summer—some estimates suggest by between 10 and 17 per cent.

However, in order to maintain price competition with each other, the tour operators are offering far more self-catering and lower quality hotels in their brochures next *summer.* "Holidaymakers who want the same holiday as last year are going to have to pay more," says Mr Neil Thomson, marketing director of Pickfords Travel, a leading agent.

The tour operators *are* competing on price, therefore, but between each other rather than offering any real cuts in the price of next summer's holidays. Thomson emphasised this keen price competition between operators when it followed up its main brochure launch with a new attack from its downmarket Skytours brochure. This offers low-price holidays that are *among the cheapest.*

"For some people price is the most important factor when booking a holiday, so with Skytours we want to make sure that they can get the lowest possible price," says Mr Paul Brett, managing director of Skytours.

But moving down-market to maintain the illusion of stable prices is a strategy which many in the travel trade fear may go wrong. With the three major operators seeking to expand their combined capacity next summer by about 50 per cent, there are doubts that sufficient extra demand will emerge for these budget holidays.

If not, then the travel trade may face a bloodbath as tour operators slash prices to fill empty hotels and airline seats. That is when the real price war will begin.

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Test for Albanian reform plan

Margie Lindsay, recently in Tirana, examines the challenges Mr Ramiz Alia, who replaced Mr Enver Hoxha as leader of Albania, can expect to his plans for mild reform during the ruling party congress

THE FOUNTAIN in Tirana's main square is the loudest early morning sound in the capital of isolated, backward Albania, where private cars are virtually unknown and the populace *mainly goes to work on foot.*

But this week it will be complemented by outpourings from the fountain of political wisdom, the Albanian Communist Party, which started its five-yearly congress yesterday. For Mr Ramiz Alia, Albania's leader, the congress will be his first real test of political strength and skill since he came to power in *April 1985, on the death of Mr En*ver Hoxha, who led the country for 41 years.

Although Mr Alia appears to want to end the isolationist, hard-line Stalinist years of his predecessor's rule, throwing off more than 40 years of tradition is a slow, precarious operation. Even very modest reforms seem to be encountering resistance from party bureaucrats, *worried about losing* their power.

Although it is unlikely that Alba*nia will embark on a significant re*form programme, the Government appears already to have reordered its priorities on defence. Military service has been reduced to two years and defence spending was cut in the 1986 budget.

Even the occasional joke can be heard about the hundreds of crumbling pillboxes about the country which remind Albanians and visitors of the awaited invasion. It seems that the Government now feels that there are more immediate problems to face than possible attack.

Industrial and agricultural development, following one of the country's poorest years in 1985, seems to have risen to the top of the list. The *party newspaper recently criticised* the central planning system, and although industrial production rose *3.3 per cent in 1985 over 1984*, many key industries failed to meet planned growth levels. Nevertheless, even more ambitious targets have been set for them in the years to the end of the decade.

Albania's living standards remain visibly the worst in Europe. With average *monthly wages of Lek 600–*700 (approx $85–$95), most people are unable to afford much, even if goods were available. Shops have depressingly dull window displays. Clothing is in drab colours, 1960 styles and highly priced.

Consumer goods such as radios, televisions, furniture and kitchen utensils are difficult to find and very expensive. Queues form when there are deliveries of new items, *such as wood-burning* cooking stoves. Such is the demand and the frustrations of queuing, that fist-fights sometimes break out. Most consumer goods are old-fashioned in design and badly made.

Although there are markets selling fresh vegetables, fruit is almost impossible to find, except for apples and grapes. Meat and poultry is almost non-existent in cities. Butcher shops, *if they are open*, have *little* to sell and what they do have is poor quality. Food shops, where long queues form, sell a limited range of goods.

Most city dwellers live in crumbling flats and although in the countryside private housing abounds, so do open sewers. Electricity supplies appear to be erratic.

Party members who number 120,000 out of the 3m population and their friends are privileged, with access to better clothing, food and consumer goods. Their housing is of good quality and often guarded by both military and secret police.

Mr Alia believes that solving these problems will require an increasing opening to the West.

A cautious rapprochment with Europe started even before the death of Mr Hoxha, when Mr Alia was reportedly in control of the *country.*

In additional, several airlines now fly regularly into Tirana, including Interflug (East Germany), Malev (Hungary), Swissair, JAT (Yugoslavia), Alitalia, Tarom (Romania) and Olympic Airways. Co-operation agreements have been *signed* with several East European countries, although relations with the Soviet Union, China and the US remain hostile.

Trade *links* with Greece have been strengthened and talks have resumed with West Germany, which looks to be in a good position to take advantage of any relaxation. Although Albania still has no diplomatic relations with West Germany *because of disagreements* over war reparations, the Germans are helping Albania to re-equip some factories and are granting very soft loans.

GM to keep close ties with S. African subsidiary

By Anthony Robinson in Johannesburg

THE LEX COLUMN

A green card for Hoechst

picked up Celanese for half the price at the beginning of 1985.

The shareholders of Hoechst may be less interested in immediate value than those of Celanese, although the trebling of Hoechst's long-term debt will, no doubt, entail a rights *issue at some stage. The dominant* position Hoechst will enjoy in the US fibres market and the currency hedge may have to be worked hard.

Hollis/AE

For maximising the amount of cash offered to his AE shareholders, the opportunism of Sir John Collyear can hardly be faulted. His agreed deal with Mr Maxwell has squeezed out 20p a share more than the bid they were so largely minded to accept in September, even though automotive component stocks have slipped quite a bit. Sir John is also a brave man, to judge by his preference for turning AE into a quoted subsidiary of Pergamon, rather than try to fend off yet another bid from Turner & Newall.

He is not, it would appear, much of a logician. Whatever the deficiencies of T&N as an industrial partner, it is a serious participant in the automotive engineering industry; if Sir John was unconvinced about

view of the Hollis share (basically, redenominated AE shares) that they are being offered in exchange.

Though T&N is not currently intending to hand in its 30 per cent, the most likely outcome is for there to be a majority of cash acceptances, leaving Pergamon with a good two-thirds of the enlarged Hollis, and a cash outflow to match.

Even if AE were to make a pre-tax £30m next year, that would not leave the controlling shareholder in Hollis with much net return on the cash invested. If things went less well, as the grinding noises coming out of BBA and Lucas might suggest, AE might come to seem a very expensive buy indeed.

AB Foods

Associated British Foods has done its best to refute the theory that minus Fine Fare it is just a doughy mixture of baking and fund management. The 24 per cent jump in interim trading profits had very little to do with the baking and milling business – where profits growth *was nugatory – but to a great extent* was down to much less well known manufacturing operations. Starch factories in Corby may not attract the City's attention, but when new

Oxford Instruments

profit rise of 28 per cent to £8.5m, knocked the share price by 82p to 454p. Afte a near doubling of profits last year, the market's expectations for this one had run ahead just when OI's progress was slowing.

It should have been clear that the sort of gains OI had been making could not continue forever. But nor has the company stopped in its tracks. Selling magnets to go in body scanners for the US market is tougher when most big hospitals have already bought them and small ones still cannot afford them. If OI's new cheaper magnets catch on, and once the US tax-reform induced pause in investment passes, growth in the market, now down to a paltry 10 per cent or so, should revive.

Similarly the restriction of demand for analytical instruments from the petrochemical industry might prove temporary. Meanwhile OI's other businesses are expanding more rapidly and increasing margins. A more realistic forecast of current year pre-tax profits of £22m or £23m, still well ahead of *last year's £17.2m, suggests a p/e* around 15. That is only half the multiple OI was floated on, and the sort of premium that it can now hope to defend.

UK to cut cost of financing exports

By Christian Tyler in London

THE OUTLINES of a new system of funding longer-term export credits, to cut the cost to the taxpayer, appear to have been agreed between the British Government and the City of London.

The system would mean greater use of the capital markets, with export loans being refinanced at much lower rates of interest than can be obtained on the inter-bank market.

That would enable the Government to cut the cost of subsidising fixed-interest loans provided by banks to their exporter clients under guarantees given by the Export Credits Guarantee Department (ECGD). In the last financial year, £400m ($572m) of public money was spent in this way.

However, the banks are unlikely to give their final assent to the scheme until they see what level of margin they will be offered by the Treasury.

Tate & Lyle questions Ferruzzi move to buy British Sugar stake

BY ANDREW GOWERS IN LONDON

TATE & LYLE, *the UK sugar refin*er, suggested yesterday that Ferruzzi, the Italian agribusiness group, may have broken undertakings it gave to the UK authorities by negotiating to buy a 70 per cent stake in British Sugar from its parent, S. & W. Berisford.

Mr Neil Shaw, Tate's chairman, said the company would be seeking assurances from the authorities that the deal currently being negotiated by Ferruzzi and Berisford, the commodity trading group, was within the rules.

It was possible, he said, that Ferruzzi and *Mr Ephraim Margulies*, Berisford's chairman, who has a stake of his own in the group, might *be deemed to have* been acting in concert – thus implicitly raising Ferruzzi's stake in Berisford above the 23.7 per cent level which it undertook not to exceed earlier this year.

Both Tate and Ferruzzi are trying to acquire British Sugar, the UK beet *monopoly*, and the two bid approaches are currently being considered by the UK Monopolies and Mergers Commission.

However, Berisford yesterday confirmed that it now regards Ferruzzi, Italy's third-largest company, which has substantial sugar inter*ests in Italy and France, as the fa*voured candidate. It expects to sign a conditional deal giving Ferruzzi a *70 per cent* stake in British Sugar for about £400m ($576m) within the next week.

Mr Shaw played down the latest move, saying that it did not change the basic position and that everything depended on the outcome of the commission's deliberations. The *Monopolies Commission is due to* report by November 18, but it may ask for an extension.

The Tate chairman indicated that he would not make another financial move until after the commission had reported, and that Tate had a range of options it could dis*cuss with Mr Margulies.*

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Maxwell launches £265m bid for UK car components group

BY CHARLES BATCHELOR IN LONDON

Political row in Dublin over Sinn Fein

EEC agrees textile pact with India

BY TIMOTHY DICKSON IN BRUSSELS

World Weather

Hoechst launches bid for Celanese

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday November 4 1986

People Express accepts lower Texas Air price

BY WILLIAM HALL IN NEW YORK

THE deteriorating financial condition of People Express, the former fast growing US airline, was underlined yesterday by the news that it had lost $110m in its third quarter, and that it had agreed to a substantial reduction in the price which Texas Air, its main rival, is paying to come to its rescue.

People Express shares fell by $½ to $2¾ in early trading yesterday valuing the troubled carrier at $69m. The latest loss, which includes a $55m provision for the loss on its investment in Frontier Airline, boosts its nine-month losses to $243m and the company expected to report "continuing substantial losses in the fourth quarter." Its third quarter has traditionally been its strongest period.

Under the terms of the revised merger agreement each common share of People Express will be exchanged for 0.05042 of a share of Texas Air compared with 0.07563 of a share provided under the original agreement. People Express shareholders will also receive $2.50 liquidation preference of a new issue of Texas Air redeemable junior preferred stock. The dividend on the latter is being reduced from 10.75 per cent to 8.50 per cent.

Texas Air has also hedged its latest offer with several conditions including the exchange of People Express' series A preferred stock and series B preferred stock for shares of a new issue of 12 per cent non-convertible, redeemable junior preferred stock of Texas Air. The merger of People Express and Texas Air will also be conditioned on several other matters including obtaining "certain financial concessions" from the holders of the 150m Swiss franc convertible debt issue and amendments to the lease of People Express' terminal at Newark airport.

Texas Air has agreed to inject an extra $40m in secured loans to People Express prior to the consummation of the merger.

Allied Stores agrees to takeover

By Charles Hodgson in New York

ALLIED Stores, the fourth largest US stores group, has agreed to a takeover by Campeau, the Canadian property concern, in a deal that values the New York-based retailer at $3.65bn.

Under the agreement, which ends a bitter two-month takeover battle, Allied shareholders will receive $65 a share in cash and securities, or $1.8bn for the 47.5 per cent of the company Campeau does not already own.

ASC Acquisition, a company formed by Mr Edward Debartolo, the largest US developer of shopping malls, and Mr Paul Bilzerian, a Florida investor, to stave off the Campeau bid, agreed to withdraw its $67 a share tender offer. ASC was given first refusal on unspecified Allied operations and properties.

The agreement followed the failure of legal efforts by Allied to thwart campeau's purchase of 50 per cent of Allied stock on the open market.

Allied argued that the purchase amounted to an illegal tender offer, but a preliminary federal court ruling gave Campeau nominal control of the shares without voting rights.

Mr Thomas Macioce, who will remain as Allied chairman, said there would be no change in the company's location, management or employment.

Allied, whose operations include the Bonwit Teller and Brooks Brothers chains, made net profits of $159m on turnover of $4.1bn last year. Campeau had revenues of about $150m on commercial properties with a book value of about $1bn.

In early trading on the New York Stock Exchange yesterday, Allied shares were up $⅝ at $66⅝.

Goodyear to sell energy unit as first step in takeover war

BY WILLIAM HALL IN NEW YORK

GOODYEAR, the world's biggest tyre manufacturer which is being pursued by a European investor group led by Sir James Goldsmith, yesterday unveiled its first move in its battle to remain independent and said that it intended to sell its prized Celeron energy subsidiary.

Mr Robert Mercer, Goodyear's chief executive, said yesterday that the company expected to announce a restructuring plan "within the next two weeks" and a key element under consideration was the sale of Celeron, including its oil and gas facilities, reserves, and a 1,750-mile pipeline linking the offshore Californian oil fields with refineries on the Texas gulf coast.

Goodyear bought Celeron in mid-1983 for $822m in a bid to reduce its reliance on its traditional tyre manufacturing business, and shortly afterwards announced that Celeron planned to build a $900m pipeline – the largest single project in Goodyear's 87-year history.

Goodyear has sold off Celeron's car transmission business and related operations for $450m to Tenneco and made a profit of $103m. The proceeds were used to buy further oil and gas reserves in California adjacent to the new pipeline expected to be completed within the next few months. It will pipe oil from the recently discovered Californian offshore oil fields to refineries along the Texas coast.

Because of the recent fall in the price of oil analysts have said that the Celeron acquisition does not look as attractive as before. They have questioned whether there would be enough Californian oil to fill the pipeline because oil companies are said to be delaying the development of the offshore fields. The pipeline will be able to carry 300,000 barrels of crude oil a day. Goodyear said yesterday that it still expected to begin pumping oil through the pipeline at the beginning of next year.

Celeron ranks 22nd among the leading independent operators in terms of crude oil reserves and 44th among independents and major integrated oil companies in total reserves. Its assets are valued at $1.3bn in Goodyear's balance sheet. Goodyear's shares slipped $¾ to $47½ in early trading yesterday.

AIG launches Luxembourg underwriters

By Nick Bunker in London

AMERICAN International (AIG), the big US insurer, yesterday launched a Luxembourg company intended to provide liability insurance for European multinational corporations.

Planned in association with Salomon Brothers, the US investment bank, the scheme represents the latest attempt by a US company to ease the shortage of underwriting capacity that has made it difficult or even impossible for big corporations to obtain liability cover.

The new company, called European American Excess Reinsurance (EAX-Re), expected to raise at least $100m from the private placement of 482,500 shares, said Salomon Brothers, the issue's placement agent. Worldwide excess general liability cover will be provided to the shareholders, which cannot include US companies.

Mead to pull out of reinsurance business

BY OUR NEW YORK STAFF

MEAD, the US forest products group, announced yesterday that it is to withdraw from the reinsurance business and is to take a charge of $57m against fourth-quarter earnings.

Most of the $1.84 per share charge reflects losses at Mead's reinsurance division. Negotiations are now under way to sell the business, the company said.

The reinsurance company lost 13 cents a share in the first three quarters of this year out of total earnings from continuing operations of $2.85 per share. Mr Burnell Roberts, Mead's chairman, said losses from insurance activity had detracted from improved performance in the forest products and electronic publishing businesses. He added that sale of the reinsurance division would allow the full earnings potential of the group's base businesses to be realised.

The company also announced a shareholder rights plan. Mr Roberts said the poison pill plan, under which shareholders would be entitled to one right for each common share held, was not adopted in response to any specific effort to acquire control of Mead.

If an investor were to acquire 25 per cent or more of its stock, Mead said, each right not owned by the acquiring party would allow the holder to buy at the exercise price common shares or other assets with a value of twice the exercise price. If Mead were bought or sold more than half its assets to another party, each right would allow the purchase at the exercise price of twice the market value of the acquirer's stock.

The company also announced a quarterly dividend of 30 cents per share. Last month, Mead announced net third quarter earnings of $23.1m or 74 cents per share after a $13.2m charge.

Brunswick in $425m acquisition

By Charles Hodgson in New York

BRUNSWICK Corporation, the US manufacturer of leisure and industrial products, announced yesterday that it had agreed to acquire Bayliner Marine, the world's largest producer of pleasure boats, for almost $425m. The deal will be for cash and about $50m of common stock.

Bayliner, a privately-owned company based at Arlington, Washington, manufactures fibreglass boats ranging from 14 ft to 45 ft in length. It also makes outboard motors and boat trailers through affiliated companies. The company said it expected sales this year to exceed $450m.

Mr Jack Reichert, Brunswick's chairman, said the acquisition was "a significant strategic move" combining Brunswick's Mercury marine outboard motor division with a leading pleasure boat builder.

Mr Reichert said each business would operate separately serving its sector of the $14bn worldwide marine products market.

He added that the move had been prompted by a belief that consumers were moving towards the idea of buying a "package" of boat, outboard motor and trailer.

Brunswick reported record net earnings last year of $100.3m, up 6 per cent on 1984 on sales of $1.54bn also a record.

Battle settled over control of La Fondiaria

By Alan Friedman in Milan

ITALY'S Montedison group and Mediobanca, the Milan merchant bank, have reached agreement over who controls La Fondiaria, the Florence-based insurance group in which Montedison recently built up a 37.5 per cent shareholding.

The truce was negotiated at the end of last week by Mr Paul Gardini, chairman of Italy's Ferruzzi Foods group which now has effective control of Montedison, and Mr Enrico Guccia, the 73-year-old Mediobanca director who has sharply attacked Montedison over the Fondiaria deal.

Under the agreement, a new board of directors will be formed at Fondiaria. Half the board members will be chosen by Mediobanca, and half by Montedison which has 37.5 per cent. Mr Gardini will become Fondiaria chairman and will have double the voting power of other board members.

The real significance of Mr Gardini's agreement with Mediobanca is that he has, with one gesture, calmed the waters of Italian high finance by making what Italian corporate circles see as a major "peace" initiative.

Tony Jackson in London examines the $2.85bn bid for Celanese of the US

Hoechst signals shift in strategy

HOECHST'S proposed $2.85bn takeover of Celanese of the US is a whopper of a deal. It would be the biggest merger anyone can remember in the world chemical industry, making Hoechst, the West German company, the biggest chemical company in the world. At first sight it looks an good deal for Celanese and an odd one for Hoechst.

The proposed deal appears an odd move for Hoechst – but part of the answer may lie in the fibres industry where, combined, the two groups would be bigger than market leader Du Pont.

In recent years Hoechst, like the great majority of chemical companies around the world, has worked hard at reducing the bulk commodity parts of its portfolio. In Europe, for instance, it has in the last two years got out of polystyrene, low density polyethylene and fertiliser.

But Celanese is specifically a commodity chemical company – and proud of it. It is a leader in artificial fibres – as is Hoechst – and in decidedly bulk chemicals such as vinyl acetate, acetic acid and methanol. Hoechst yesterday declined to comment about its reasons for wanting Celanese, saying that it would explain its strategy later. But what is the group up to?

Part of the answer, certainly, must lie in the US fibres market. Celanese is the second largest producer of polyester fibre in the US with almost 1.3bn lbs of capacity. Hoechst is third with about 0.5bn lbs. Combined, they would be bigger than the market leader, Du Pont, which has capacity of 1.5bn lbs.

This part of the strategy seems primarily defensive. The US fibres market is under heavy pressure, largely from imports, and Celanese and Du Pont have both been reducing capacity in recent years. Far Eastern producers in Taiwan and Korea have also been strengthening their position worldwide, and it is believed in the textile industry that Hoechst, besides being able to rationalise capacity in the US, could also bring back to Europe some of Celanese's technology, in industrial yarn particularly.

Putting the two groups together would create a formidable force, to the extent that the deal might be expected to draw the attention of the anti-trust authorities: after Eastman Kodak, the fourth biggest in the polyester market, there are only a scattering of smaller producers.

Hoechst could hardly justify spending close on $3bn on a part of its business which last year accounted for only 10 per cent of group sales. But there are some other arguments.

Hoechst is one of the world's biggest drug companies, with a particular interest in biotechnology. As it happens, Celanese has a one-third stake in a US biotechnology company called Endotronics, and also has an option to buy a sizable stake in Novo, the Danish drug company.

Again, Celanese has at least some interests in the world of advanced composites, the very strong and light materials which offer enormous growth opportunities, particularly through US military contracts.

Celanese is doing some R and D work for the US Air Force. However, in 1985 it sold off the bulk of its composite interests, ironically enough, to an old sparring partner of Hoechst, the rival German chemical group BASF. BASF's $135m purchase in turn came after being beaten by ICI to the $750m purchase of the composites business of Beatrice Chemicals.

However, there still seems to be a lack of symmetry to the merger. For Celanese – and especially for its chief executive John Macomber – the deal represents the satisfying culmination of a strategy of maximising the return to shareholders by buying in shares, running down operations and strengthening the group's financial position. For Hoechst, so far at least, it looks above all like a remarkable reversal of strategy.

St Gobain gears up for sell-off

BY GEORGE GRAHAM IN PARIS

ST GOBAIN, the French state industrial group, has suspended trading in its *certificats d'investissement*, or non-voting shares, in anticipation of its move into the private sector.

The French Finance Ministry announced yesterday that the non-voting shares were being suspended because of the decision to transform them into ordinary shares when St Gobain was privatised.

At the same time, the Finance Ministry announced the dissolution of the Société Francaise de Participations Industrielles (SFPI), a state holding company which owns nearly 25 per cent of St Gobain's shares, with effect from November 7.

Besides this indirect holding, the state owns 50 per cent of St Gobain directly with the remainder held by the Caisse des Depots and other government-controlled financial groups.

The French Government plans to offer to the public the 50 per cent of St Gobain which it holds directly and the 12.5 per cent which will come to it from the dissolution of SFPI. Caisse des Depots and the other nationalised banks are expected to retain their shares in the company.

St Gobain, the first of the French nationalised companies to be privatised, is expected to be offered for sale at the end of this month. The precise date and the details of the offer will not be decided until after the opinion of the privatisation commission has been received.

The Finance Ministry said that the suspension of the non-voting shares was necessary to avoid speculative activity in a relatively narrow market in the wake of the decision to dissolve SFPI and to convert the non-voting shares into ordinary shares.

St Gobain raised FFr 2.4bn ($358.2m) in June by issuing 8m non-voting shares. Together with 1m state-owned shares converted in non-voting form they make up 20.5 per cent of the group's capital.

The non-voting shares closed on Friday at FFr 307, slightly higher than their FFr 300 issue price.

Massa plans share offer

By Our Financial Staff

MASSA, the West German grocery chain, will offer ordinary shares to the public, but the family of owner Mr Karl-Heinz Kipp plans to retain more than 25 per cent of total capital.

Mr Kipp said: "Further details of the flotation will be made at a news conference tomorrow.

In April this year Massa offered a nominal DM 23 in preference shares when it first went public. The shares were issued at DM 225 each, and are now changing hands at about DM 500.

Dealers said the issue of ordinary shares could raise as much as DM 1bn ($488m). They added that the retail sector was strong on the back of high expectations for consumer growth next year.

Peter Bruce in Bonn looks at the sale of shares in Hapag-Lloyd

Shipping line sails into stormy seas

THE NAMES on Hapag-Lloyd's supervisory and advisory boards would be music to the ears of those people who believe West German business is run by a conspiracy of a *few rich and powerful people.*

The names include a main board director of the Dresdner Bank, a *counterpart from the Deutsche* Bank, the chairman of the Munich Reinsurance group, Thyssen Industrie, Veba, Lufthansa, the BASF supervisory board, MAN AG (formerly GHH), *the Bayer supervisory* board, Preussag, the Axel Springer publishing group, Esso, the Bundesbahn (railways), the Karstadt retail chain and the Otto Wolff engineering group.

Hapag-Lloyd is special, though. It is, with one smaller exception, West Germany's *last remaining shipping* line of any consequence and it is dicing with trouble again just three years after being saved from collapse by a *DM 300m* ($150m) cash injection from its shareholders. Despite tough rationalisation, a return to profits and DM 600m in the bank, if there is a conspiracy to *keep Hapag-Lloyd afloat and independent* of foreign ownership it may be because nothing else will.

The group is owned mainly by the Deutsche and Dresdner banks, *which each have a 40 per cent stake* in it and both of which want to cut their holdings to 15 per cent. Although the group increased its net profits 25 per cent last year to DM 95m, *the collapse of the dollar* against the D-Mark this year and its continuing relative weakness is a serious threat to the line's main business – the north Atlantic trade route.

The two banks made it clear ear*lier this year that they were looking* for a buyer for their stakes. It has taken quite a while to come up with Veba, the diversified energy group, which is still partly owned by the state.

Mr Eckart van Hooven, a Deutsche Bank director and deputy chairman of Hapag-Lloyd's *supervisory* board, said yesterday Veba had agreed to take a stake of "more than 10 per cent but less than 25 per cent." He said another potential new shareholder was due to make up its mind in the next few weeks and that foreign shareholders might be acceptable too.

Veba, the Stinnes subsidiary of which is already in the transport business, is not saying how much it was paying for its stake. It will *probably be just less than 25 per* cent to avoid triggering the atten*tions of the strict West German car*tel authorities. Hapag-Lloyd is capitalised in the markets at around DM 300m, but given the fact that only 10 per cent of the stock is held by *small shareholders and the con*sequent lack of transparency with which the Veba deal has been done, it seems safe to assume that Veba will pay at a discount to the market price.

The other shareholders, *it seems,* may also have to be drawn from the elite already represented on Hapag-Lloyd's various boards. Lufthansa is not a possibility, said Mr Van *Hooven yesterday.* But the Bundesbahn, say some observers, might be. The point is, though, that the Deutsche and Dresdner banks, the two biggest in the country, are looking for a way out of Hapag-Lloyd – and a number of their other indus*trial holdings – and they seem to ex*pect their friends in industry to help them do it in much the same way that the banks have on many occasions held industry's hand.

One dark *spot* on the *horizon* though is the threat by a Hamburg charterer to appeal to a West German constitutional court if, as appears to be happening, Veba did take a *stake.* Mr Peter Determan, a firm believer in the conspiracy theory in this case, believes that because the banks may have seats on the boards (as they do on Veba's) of the companies they sell Hapag-Lloyd stock to, the interests of fair competition are not being served by the share sales. The fact that Veba is partly owned by the state makes it *even* worse, as far as he is concerned, because the Government is committed to a policy of privatisation.

First West German buyout fund set up

By Andrew Fisher in Frankfurt

THE FIRST fund to finance buyouts in West Germany, where such deals are in their infancy, has been set up by J. Henry Schroder Wagg, the UK merchant bank. Called the Schroder *German Buy-Out Fund,* it has gathered DM 140m ($70m) from European and US investors.

Its formation comes at a time of increasing discussion in West Germany about the possibility of more buyouts. Though common in the US and UK, they are virtually unknown in West Germany.

Nearly half of the money for the fund has been put up by institutional investors in West Germany itself, the Netherlands and Switzerland. UK and US investors have invested the rest.

Mr Nicholas Ferguson, a director of the UK merchant bank and head of Schroder Ventures, which assembled the fund, said that nine companies were now under review as possible buyout candidates.

There were two types of West German company that were best suited to such deals, he said. These were family-owned businesses and subsidiaries of foreign parent groups. Buyouts were ideal for families wanting to sell out because the founder was too old or because later generations wanted to raise money.

They were also a useful means of enabling US or other international parents to sell off parts of their groups that no longer fitted into their corporate strategy.

Companies with predictable cash flows, a solid record and a favourable market position for their product were the sort that the fund was seeking, Mr Ferguson said.

"They tend not to be high flyers. They tend to be ordinary, well run, well managed, decent businesses, of which there are a lot in West Germany." The fund may invest in Switzerland, Austria and the Benelux countries as well as in West Germany.

Mr Thomas Matzen, chief executive of J. Henry Schroder Unternehmungsberatung, a new Hamburg company which will advise the fund, said: "While this is a new concept in Germany, the opportunities are there."

Schroder Ventures now advises venture and buyout funds investing in the US, UK, Japan and West Germany with the equivalent of £200m available for investment.

Bombardier completes deal with Canadair

By Robert Gibbens in Montreal

BOMBARDIER, the Montreal-based heavy-transit equipment and snowmobile builder with two manufacturing subsidiaries in Austria, has completed the ac*quisition of Canadair,* one of Canada's two airframe builders. Canadair will become a prime contractor for the maintenance of Canada's domestic fleet of F-18 *fighter aircraft.*

Canadair needed the contract for the technology and expertise it would provide for broadening its products. The first steps will be to stretch the Challenger executive jet to a 40-50 passenger *commercial aircraft,* re-engine Canadair's successful waterbomber, win more subcontracting for commercial aircraft builders and obtain more defence work.

The maintenance contract will mean Canadair will build a 250-*employee centre in Montreal* for management of the F-18 programmes, in co-operation with CAE Industries of Toronto, one of the world's three major flight-simulator builders.

Canadair will also bid for a *role in replacing the coastguard's* Sea King helicopters.

All of these securities having been sold, this announcement appears solely for purposes of information.

NEW ISSUE

October 16, 1986

$4,000,000,000

Asset Backed Securities Corporation

Asset Backed Obligations, Series 1

Collateralized by Automotive Receivables

$2,095,000,000

6.25% Class 1-A Notes Due October 17, 1988

$585,000,000

6.90% Class 1-B Notes Due April 17, 1989

$1,320,000,000

6.95% Class 1-C Notes Due October 15, 1990

The Notes will be secured by two pools of recently originated retail automotive installment sale contracts (the "Receivables") purchased from General Motors Acceptance Corporation ("GMAC"), all monies due thereunder net of servicing and other fees, security interests in the vehicles financed thereby, GMAC's limited guaranty of payments under the Receivables, and certain other collateral. The Receivables will be secured by new automobiles and light trucks and will be serviced by GMAC.

Although payments on the Receivables are supported by a limited guaranty of GMAC, as described in the Prospectus and related Prospectus Supplement, the Notes represent obligations solely of the Issuer and are not insured or guaranteed by The First Boston Corporation, First Boston, Inc., GMAC or any other person or entity. The Issuer has no significant assets other than those pledged as collateral for the Notes.

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Samuel Senoren on the Philippine plan for conversion of foreign debt

Slow start to Aquino equity offer

THE ATTEMPT by President Corazon Aquino to reduce the Philippines' huge external debt by asking foreign banks to convert their loans into equity in domestic enterprises has met with some initial success since the scheme was introduced in August, yet acceptance has been less widespread than anticipated.

To date, only about $34m worth of debts have been converted into equity, nearly half of which represented direct conversion into a 40 per cent interest by American Express in International Corporate Bank, a local financial institution.

So far only six companies, most of them export-oriented, have been involved in the conversion scheme.

Local bankers say they have difficulty identifying companies which would attract foreign investors even though the Government has more than 100 enterprises with a broad range of interest which are being privatised. Such difficulty is traced largely to a weak economy which has led to dramatic numbers of business failures in the past three or four years.

A large number of companies in the manufacturing sector, for instance, are operating at less than half of their rated capacity because domestic demand continues to be weak and the market has shrunk considerably.

Mr Jaime Ongpin, the Minister of Finance, had hoped that the debt/equity swap arrangement would eventually cover at least $1.5bn of some $15bn owed to 483 foreign commercial banks. But at the rate the programme is proceeding, that projection may prove optimistic.

The rest of the Philippines' $26.4bn external debt is due to official creditors, whose exposure is not covered in the scheme.

When the debt/equity conversion programme was announced in August, it was generally aimed at attracting long-term investors. Debt/equity conversions offered a cheap way of funding such investments when Philippine loans were being offered at discounts as high as 40 per cent from a number of relatively small creditor banks which were clearing their loan portfolios.

The idea was for the buyers to surrender the debt paper to the Philippine Central Bank, which would then pay the holders the peso equivalent of the original loan value. The peso proceeds would then be invested in suitable local businesses under conditions set by the Central Bank.

Repatriation of profits cannot be made for three years in priority areas of investment, such as export-oriented industries or social projects, and as long as five years in non-priority areas such as banking or manufacturing of consumer products.

In recent weeks, however, the discount rate on the Philippines' debt paper in the secondary market has fallen sharply to just between 23 and 25 per cent from between 30 and 40 per cent in August.

Mr Jaime Ongpin: $1.5bn swap target

With the high fee of either 5 or 10 per cent (depending on the category of investment) which is collected by the Central Bank for every completed transaction, the paper has become less attractive to prospective investors.

A senior executive of SPL Capital Markets group in Manila, which has packaged some of the debt/equity conversions, believes the fall in the discount rate reflects a more positive outlook on the part of the creditor banks towards the country's prospects under the Aquino Government.

Rather than sell their loans at a loss, the banks are believed to be more willing to wait for the Government to steer the Philippine economy back to recovery after 10 per cent negative growth in the past two years.

However, the debt swap arrangement could become attractive again if the Aquino Government insists on terms that might not be totally acceptable to the banks in current negotiations for restructuring the $3.6bn in commercial debt which falls due between 1987 and 1992.

The Government is also seeking renegotiation of the entire debt rescheduling package involving $5.8bn which the banks signed with the former Marcos Government in May last year.

Specifically, Mrs Aquino's administration wants the debt repayment period to be stretched to 20 years, inclusive of a seven-year grace period at a spread of ⅝ over London interbank offered rate.

In comparison, last year's debt package which covered loans falling due between late 1983 and 1986 carried a repayment period of only ten years, with five years' grace and a spread of 1⅝ over Libor.

Bankers in Manila feel that if the Philippines insists on its terms as it had previously indicated it would, a number of banks may decide to liquidate their loans, though this depends on the level of loan loss provisions they have made.

Swedish group plans rival options exchange

By Sara Webb in Stockholm

A GROUP of Swedish institutions plans to launch an open outcry options and futures exchange at the beginning of next year, introducing new financial instruments to the Swedish market and competing with the existing Swedish options market on commission charges.

The Sweden Options and Futures Exchange (SOFE) will have a total risk capital of SKr 60m ($8.53m). The share capital of SKr 10m is divided as follows: PK Fondkommission, the money dealer, has 22 per cent; 4:e AP-Fonden, a national pension insurance fund, has 16.5 per cent; SPP/AMF, the personal pension fund, has 8.25 per cent; and Skandia, the insurance company, has 8.25 per cent.

The remaining share capital is being offered to banks, equity and money market dealers and brokers.

The plan is to offer stock index options and futures based on the stock exchange top 16 and general share indices. "There is a real need in the market for such instruments," said Mr Leif Vindevaag, a stock exchange representative.

Mr Bjoern Hall, Skandia's finance director, said: "Being a big player in the domestic capital market, we want to encourage anything which can broaden the market and lead to new instruments and new players. Skandia's SKr 20bn portfolio includes options to the value of "hundreds of millions of kronor."

Under present legislation, the stock exchange cannot trade in options and futures, and the niche has been filled since June 1985 by the Swedish Options Market (OM), a privately-run company. If the legislation changes — as is widely expected in the market — the stock market exchange has the choice of buying SOFE.

OM is broker and clearer for call options in 10 different companies and currently trades about 15,000 contracts a day. It expects total turnover for 1986 to reach SKr 5bn. Plans to launch put options have been delayed.

"OM has a private monopoly and we feel their cost structure is rather high," said Mr Hall. SOFE would be free to launch call options on companies as well as share index options. Mr Jan Lindman, SOFE project manager, said that a daily trading of 15,000-25,000 index contracts was conceivable.

US pension fund attacks companies on poison pills

BY WILLIAM HALL IN NEW YORK

THE COLLEGE Retirement Equities Fund (CREF), which manages $25bn of pension fund money and is one of the biggest US institutional investors, has launched an attack on companies which have put in place so-called "poison pill" shareholder rights amendments.

The New York-based CREF announced yesterday that it had filed shareholder resolutions opposing the introduction of poison pills at 10 big US companies, including United Technologies, Schering-Plough, Owens-Illinois and International Paper.

The pension fund says that poison pills are "increasingly used by corporate managements—without shareholder consent—to oppose 'hostile' takeovers." It said that it was taking the initiative because the introduction of poison pill-type devices "deprive shareholders of their fundamental right of share ownership—the right to evaluate and decide when and on what terms to sell their shares."

The move by CREF is the latest sign of the growing unrest amongst many large institutional shareholders at moves by corporate managements to insulate their companies against takeover bids. Many US business leaders are worried at the wave of takeover activity now under way in the US as corporate raiders, such as Mr Carl Icahn, Sir James Goldsmith and Mr T. Boone Pickens, appear able to mount takeover attempts for all but the very biggest companies.

By indiscriminantly deterring all unfriendly bids, however advantageous to shareholders, portfolio companies are "diminishing their stock's appeal to prospective bidders and investors alike, thereby creating the likelihood of a depressed market price for the shares," says CREF.

Two bond issues in dull market

BY HAIG SIMONIAN

TWO NEW Eurobond issues emerged yesterday in a dull market ahead of this week's $9bn US Treasury auction. Secondary market prices were directionless to slightly firmer after New York's opening in quiet trading.

Many dealers are waiting to see how hard the Japanese will bite at the US Treasury auctions; their reaction is likely to set yield trends in the short term at least. Meanwhile, the Culture Day holiday in Japan accounted for some of yesterday's muted activity. Issuers may also have held back pending the result of today's mid-term US Congressional elections.

UBS Securities opened the day with a C$100m deal for Commonwealth Bank of Australia. The 9¼ per cent 1992 paper, priced at 101⅜, is non-callable and offered a yield margin of around 40 basis points, net of fees, over comparable Canadian Treasury issues at launch.

It is expected the paper will be swapped into floating rate dollars. Dealers felt the issue was priced a shade too tightly, despite the Australian statutory guarantee.

INTERNATIONAL BONDS

Slightly more surprising was Kidder Peabody Securities' $150m 7¾ per cent 1991 non-callable issue for Credit Agricole, priced at 100⅛. The lead manager reminded colleagues with short memories that Kidder had led a 1983 Credit Agricole floater with warrants.

Eyebrows were raised a little at the issue's generous 77 basis point spread over US Treasuries — some way above the 65-point margin some dealers might have expected. A generous underlying swap was the most popular explanation, though Kidder Peabody emphasised the borrower itself was keen to get a good reception.

With markets in West Germany extremely quiet on low turnover and prices little changed, Citicorp Investment Bank's SFr 100m 5⅛ per cent seven-year public issue for Wall Street's L. F. Rothschild, Unterberg, Towbin, priced at 100¼, enlivened an otherwise sluggish day in Switzerland.

Birmingham Midshires loan

By Alexander Nicoll

BIRMINGHAM Midshires Building Society, Britain's sixteenth largest, has mandated a £100m revolving underwriting facility, of which £75m is underwritten.

Union Bank of Switzerland, Deutsche Bank and Banque Paribas are leading the five-year facility, under which the borrower will receive transferable advances but may later issue certificates of deposit once its assets reach the required £2bn level.

The borrower will pay a maximum of 15.625 basis points above London interbank offered rates on drawings,

$550m facility for US insurer

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

AMERICAN GENERAL, the US insurance and financial services concern, has arranged a $550m loan facility in the Euromarkets to back up the issue of commercial paper in the US.

Arranged by Credit Suisse First Boston, the deal carries an average facility fee of 7½ basis points and drawings will carry a margin of ⅛ per cent over the London interbank offered rate for Eurodollar deposits (Libor).

It replaces and adds to an earlier $150m standby credit arranged by CSFB for the same purpose in 1984. American General said the deal brought its total committed credit facilities to $2bn.

Under the facility American General can invite participating banks to bid for short-term dollar advances on an uncommitted or non-underwritten basis. But it has no plans at present to issue commercial paper in Europe.

This is in contrast to the practice increasingly adopted by US companies of arranging commercial paper programmes in Europe as a means of extending their access to short-term funding. Eurocommercial paper can be cheaper than borrowing in the US, where investors also prefer the very short-dated periods of less than three months.

The American General deal also carries a swingline option giving immediate availability of funds to meet payment deadlines on US commercial paper. Such drawings will carry interest at US prime rate.

CSFB said yesterday the deal was syndicated among the borrower's relationship banks in the Euromarkets and was oversubscribed.

Houston-based American General is the fourth-largest shareholder-owned insurance organisation in the US on the basis of assets. As of September 30 it had total assets of $22bn and shareholders' funds of $4.3bn.

Warrants allow foreigners to profit from Ciba

By John Wicks in Zurich

A WARRANT placement by BZ Bank Zuerich, linked to the purchase of Ciba-Geigy equity, will give institutional investors outside Switzerland a rare chance to benefit from the considerable upward potential of Swiss registered shares.

The bank has placed 100,000 warrants, priced at SFr 350 each, which entitle holders to purchase a corresponding number of registered shares of the Basle chemical concern in three years' time at a unit price of SFr 1,950.

Foreigners are not permitted to buy registered, or nominative, shares of Swiss companies but the so-called covered warrants, the first of their kind to be issued in Switzerland, will allow them to benefit from the expected rise in the share price in the period to late 1989.

The required number of 100,000 registered shares has been made available by existing shareholders and will be held for the three-year period on a frozen account, the shareholders retaining voting and dividend rights.

Given the excellent performance of Ciba-Geigy in recent years, it is assumed that the registered share price will rise substantially from its current level of some SFr 1,760 during the maturity of the warrants to more than SFr 1,950.

Following the initial announcement of the placement, a grey market has developed for the warrants, which have been selling for at least SFr 420 each. Official trading in Zurich, Geneva and Basle does not begin until November 20.

The immediate success of the warrants, which were oversubscribed several times, indicates that further similar transactions are likely soon.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on November 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅝ 93	100	†96⅞	97⅜	+0¼	+0¼	8.18
Amoco Co. 9¾ 16	200	103¼	104¼	−0⅛	+0⅛	9.34
Australia Com. 11 95	200	114⅛	114⅝	+0⅜	+0⅞	8.55
Australia Com. 11¼ 00	100	114¼	114¾	+0⅝	+0⅞	9.31
BP Capital 9⅛ 94	100	104⅝	104⅞	+0¼	+0½	8.25
British Telecom 7⅜ 96	250	96½	97	+1¼	+1⅜	8.11
Campbell Soup 10½ 95	100	111⅞	112⅜	+0¼	+0¼	8.49
Canada 9 96	1000	106	106½	+1⅛	+1⅛	8.01
Canadian Pac. 10¾ 93	100	109¼	109¾	+0¼	+0⅜	8.77
CEPME 10¼ 91	100	†108¼	109¼	+0⅜	+0½	7.87
Citicorp 8¾ 93	200	97⅞	98⅜	+0⅞	+0⅜	8.62
Credit Lyonnais 9 91	200	104⅞	105⅜	+0⅜	+0½	7.55
Credit National 9⅜ 93	150	†106	106½	+0⅝	+0⅝	7.82
Daiwa Securities 2⅜ 91	120	†79½	80	—	+1⅛	11.58
Denmark Kingdom 7¾ 93	250	98¾	99¼	+0¼	+0⅞	7.94
Denmark Kingdom 8¾ 91	300	†102⅞	103¼	+0¼	+1	7.45
Deutsche Bank Fin. 8 90	110	97⅞	98	+0½	+0½	8.32
EDC 8½ 92	100	103⅝	104⅛	+0½	+0¾	7.58
EEC 8¾ 96	100	102	102½	+1⅜	+1¼	7.90
EEC 8⅝ 91	150	105	105½	+0⅜	+0¼	7.15
EEC 9¾ 90	350	105¼	105⅝	+0⅛	+0⅛	7.69
EIB 10¼ 94	200	111	111½	+0⅞	+0⅝	8.28
EIB 12 95	200	123	123⅝	+0⅝	+0⅞	8.10
Eurofima 7¾ 97	100	101½	102	+0⅞	+1	7.29
Export Dev. Cpn. 10 90	100	108¾	109⅜	+0¼	+0½	7.80
Finland 7½ 93	200	98	98½	+0½	+0¾	7.83
Ford Motor Cred. 10½ 91	150	109⅝	110¼	+0⅝	+0⅜	8.00
Ford Motor Cred. 11⅜ 90	100	109⅞	110⅜	+0¼	+0⅜	7.74
Gen. Elec. Cred. 10¾ 00	200	107⅛	107⅝	+0⅜	+0½	9.24
GMAC 10¼ 89	200	107⅜	107⅞	+0⅜	+0½	6.90
GMAC 8½ 93	200	†101¼	102¼	+0⅞	+1	8.08
IADB 9⅞ 95	200	110⅝	110¾	+1⅛	+1¼	8.19
Liberty Mutual 8½ 96	150	101¼	101⅝	+1⅝	+1⅝	8.28
LTCB of Japan 8 91	100	102	102½	+0½	+0⅝	7.41
Merrill Lynch 8¾ 91	100	†104⅛	104¾	+0⅞	+0⅞	7.64
Merch.-Benz Cred. 7½ 93	100	100⅜	100¾	+0⅝	+0⅞	7.39
Nth. Amer. Philips 8 93	100	96¼	97¼	+0½	+0½	8.59
Norway Kingdom 7¾ 91	500	99¾	100¼	+0⅝	+0¾	7.24
Pepsico Inc. 7⅜ 93	200	97⅛	97½	+0⅝	+0⅝	7.92
Proct. & Gamb. 'A' 9⅞ 92	150	106⅜	106⅞	+0¼	+0¼	8.43
Qantas Airways 10⅛ 95	140	†110¼	110¾	+0⅜	+0⅜	8.60
Queensland Govt. 10¼ 95	100	†108⅞	109⅜	+0¼	+0¾	9.65
Ralston Purina 11¼ 95	150	113½	114¼	+0¼	+0⅝	9.25
Saab Scania 9½ 91	125	105⅝	106⅛	+0¼	+0⅝	7.82
Saskatchewan 10¾ 92	100	111⅞	112⅜	+0⅛	+0⅜	7.86
Shikoku Elec. Pwr. 8⅞ 93	70	—	—	—	—	—
State Bk. S. Aust. 9¾ 93	100	†103⅞	104⅜	+0½	+0½	8.36
Statoil 10 90	170	108⅛	108⅝	+0¼	+0⅜	7.29
S. Wales Trsy. 11¾ 90	150	111⅝	112⅛	+0½	+0⅜	7.71
Swed. Exp. Cred. 10 92	100	110¼	110¾	+0½	+0⅞	7.60
Sweden 8¾ 96	200	104½	105⅛	+1⅛	+0⅞	8.00
Sweden 10¼ 92	250	112	112½	+0⅞	+1	7.44
Sweden Kingdom 10⅞ 90	200	110⅞	111⅜	+0¼	+0⅜	7.17
Sweden Kingdom 7 91	250	98⅝	99⅛	+0⅝	+0⅞	7.28
Toyota Motor Cred. 8 89	100	†102⅝	103⅛	+0⅜	+0⅛	6.75
Victorian Rep. 11⅛ 92	150	114⅛	114⅝	+0¼	+0⅞	8.19
World Bank 8½ 16	250	†93¼	93¾	+2¼	+1⅞	9.23
World Bank 9⅛ 16	300	†101⅛	101⅝	+0½	+0⅝	9.10
World Bank 9⅜ 16	300	*†103½	103½	0	0	9.39
World Bank 10⅛ 95	300	113⅛	113⅝	+1	+0⅞	7.89
Yasuda Trust Fin. 8½ 93	100	†101⅝	102⅛	+0⅝	+0⅝	8.11

Average price changes on day +0⅜ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	†106½	107⅛	+0½	+0¼	6.96
Austrian Elec. Co. 6½ 95	150	†98⅝	99⅛	−0¼	+0⅛	6.67
BMW 5¾ 96	200	†91¼	91¾	+0⅛	−0⅛	6.47
Daimler Benz Int. 5¾ 01	500	†90¾	91¼	+0⅛	−0⅛	6.73
Dow Chemical 5⅞ 96	300	†92	92½	+0¼	+0½	6.75
Dow Chemical 6¾ 95	300	†102¼	103¼	+1½	+0½	6.30
EIB 5½ 98	150	†96½	97	+5¾	+6¼	5.89
EIB 6⅞ 95	300	†101⅝	102⅛	+0⅜	+0⅝	6.59
EIB 7¼ 94	300	†103½	104	+0⅛	+0⅞	6.63
Embart Corpn. 6¾ 95	175	†100¼	100¾	+0½	+0⅜	6.67
Eurofima 6¼ 96	100	†97⅜	97⅞	−0⅛	+0¼	6.58
Ex.-Im. Bk. Korea 7⅜ 90	100	†104½	105	−0⅞	−0¼	6.12
Finland Republic 7 92	200	†104	104½	+0¼	+0⅞	6.02
Hoesch Intl. Fin. 7 95	100	†100¾	101¼	−0⅞	−0½	6.85
Hydro Quebec 5⅞ 96	125	†91⅞	92⅜	+0¼	+0⅜	6.64
Hydro Quebec 6 16	150	†94⅞	95⅜	−0⅛	−0⅛	7.23
IBJ 5⅜ 96	200	†92¼	92¾	+0½	+0½	6.64
Ireland 8⅛ 92	150	†100½	101	−0¼	−0¼	7.93
US Eksam 6¾ 93	125	*†100	100	0	0	6.75
Korea Dev. Bank 6¾ 93	100	†98	98½	+0⅝	+0½	6.95
Mitsubishi M. 3⅛ 89 WW	100	†106½	107	+1¼	+1	0.93
Mitsubishi M. 3⅛ 89 XW	100	†94¼	94¾	+0⅛	0	5.06
Renfe 7¾ 95	100	*†104½	104½	0	+3¼	7.02
Soc. Cent. Nuclear 7¾ 95	150	†101½	102	+0¼	+0⅞	6.97
Soc. Cent. Nuclear 8 91	100	†105¼	105¾	+1	+0¼	6.58
Steweag 5½ 96	100	†91½	92	+1¼	+1	6.69
World Bank 7 95	400	†102¼	102¾	+0¼	0	6.63
Yorkshire Intl. 6¾ 01	200	*†91	91	0	0	7.26

Average price changes on day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅜ 96	100	*†100⅛	100⅛	0	0	5.40
Amer. Corp. 5¾ 01	200	*†92⅞	92⅞	0	0	6.05
Baker Int. 4⅞ 96	200	†98	98¼	0	0	5.47
Carlsberg 5 96	80	†102½	102¾	0	0	4.66
Chujitsuya 5¾ 94	50	*†102⅞	102⅞	0	0	4.95
Deutsche Bk. Fin. 5⅜ 95	100	†106	106¼	−0¼	−0¼	4.46
Gen. Occidentale 4½ 94	80	†122½	122¾	−1¼	−1¼	1.92
Glendale F. S. & L. 5½ 95	100	†101¼	101½	0	0	5.30
Humana 5⅛ 98	120	*†99⅛	99⅛	0	0	5.23
Ireland 5⅜ 94	150	†101¼	101½	0	0	4.91
Japan Dev. Bk. 5⅛ 97	100	†101½	102	−1¼	−1¼	4.89
Oberos. Kftwk. 5⅛ 95	100	*†105¼	105¼	0	0	4.90
Olivetti Intl. 5½ 95	100	*†104⅝	104⅝	0	0	4.84
Pepsico 5¾ 95	130	*†104⅝	104⅝	0	0	4.57
Phibro-Salomon 5⅜ 97	110	†101	101¼	−1	−1	4.99
Ralston Purina 5⅜ 94	125	*†103⅛	103⅛	0	0	4.89
Settsu Euro. 0 01	100	*†46½	46½	0	0	5.48
US Steel 5¾ 96	200	*†95⅞	95⅞	0	0	5.82
USX Corpn. 5¾ 98	100	†95¼	95½	−0½	−0½	6.31
World Bank 5¾ 94	150	†104¼	104½	+0¼	+0¼	5.08

Average price changes on day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅞ 91	20	99½	100	+0⅛	+0½	5.93
Denmark 6⅜ 96	20	100⅝	101⅛	+0¼	+0⅜	6.22
GMAC 5⅜ 91	60	97¼	97¾	+0⅛	+1	5.90
EIB 6⅛ 96	25	99⅝	100⅛	+1⅛	+0⅞	6.10
Sweden Kingdom 5⅝ 95	20	96	96½	+1¼	+1⅞	6.16

Average price changes on day +0⅝ on week +0⅞

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	†55¼	55¾	+0⅛	+0¼	14.13
Bremer Ldsbk. 12¾ 91 A$	30	97½	98½	+0⅛	+0⅝	13.51
Fiat Finance 14½ 89 A$	50	100⅝	101⅛	+0½	+0½	13.92
GMAC 12⅞ 89 A$	40	98¾	99¼	+0⅛	+0⅝	13.59
Landsbk. Rhein. 13 89 A$	30	†97¼	98¼	+0¼	+0¼	13.78
Canadian Pac. 10⅞ 90 C$	75	103	103½	+0½	+0⅞	9.33
Chrysler Corpn. 10 91 C$	75	†98	98½	−0⅛	0	9.72
Genstar Fin. 11¾ 95 C$	75	†104	104½	−0⅛	−0⅛	10.94
GMAC 9¾ 92 C$	75	†100⅝	100⅞	+0⅛	+0¼	9.88
Royal Trustco 10¾ 90 C$	75	†101¾	102¼	+0⅝	+0⅝	9.96
Sears Acc. 10⅝ 92 C$	75	†102⅝	102⅞	+0⅛	+0⅛	10.01
Coca-Cola F. C. 17 90 NS	75	†106	107½	+0½	+0½	14.52
Denmark 17½ 89 NS	50	*†102	102	0	0	16.24
Unilever Cap. 17½ 89 NS	50	†105½	107	+0½	+0½	14.64
Copenhagen City 9 95 Ecu	40	*†100¼	100¼	0	−0¼	8.95
EIB 8⅝ 95 Ecu	100	*†101⅞	101⅞	0	−1⅞	8.22
Walt Disney 8¾ 94 Ecu	62	*†102⅝	102⅝	0	−0⅛	8.24
Honda Mtr. WW 3⅞ 90 Fl	100	†108¼	108⅝	−1	−0⅛	1.28
Honda Mtr. XW 3⅞ 90 Fl	100	93¼	93¾	−0¼	0	6.05
Thyssen 7¼ 90 Fl	50	104¼	104¾	−0⅛	0	5.89
Wereldhave 7½ 90 Fl	75	104¼	104¾	−0½	−0¼	6.11
Wessanen 6¾ 90 Fl	50	104⅛	104⅝	−0⅛	−0⅛	5.47
Amev 11 93 £	50	†99⅛	99⅝	−0⅛	−0⅛	11.12
Australia Com. 11 92 £	40	†97¼	97⅞	0	+0⅛	11.61
GMAC UK Fin. 10½ 90 £	30	99⅛	99½	−0¼	−0¼	10.72
Imp. Chem. Inds. 10 03 £	100	91⅝	92¼	−2¼	−2¼	11.08
Imp. Chm. Inds. 10¾ 92 £	75	†95¾	96¼	−0⅞	−0¼	11.72
Invst. In Inds. Int. 10 93 £	60	92⅞	92⅞	0	0	11.66
Leeds Bldg. Soc. 10½ 91 £	50	95½	96⅛	−0½	0	11.75
McDonalds 10⅞ 90 £	40	†98¼	98¾	−0¼	−0⅛	11.37
Nationwide BS 10⅛ 93 £	75	92½	93	−0⅛	0	11.76
NSW Treasury 10⅛ 92 £	50	95⅛	95½	−0¼	0	11.75
Royal Insce. 10¾ 92 £	60	†96¼	96¾	−0¼	−0⅛	11.59
J. Sainsbury 10⅞ 93 £	60	97⅛	97⅝	0	0	11.47
Trusthouse Forte 11⅛ 90 £	50	98½	99⅛	+0⅛	+0¼	11.53
World Bank 11¼ 95 £	100	101¼	101⅞	−0¼	−0⅛	10.92
CoE 8⅞ 95 LFr	600	*†105½	105½	0	0	7.99
EIB 8⅝ 93 LFr	1000	*†105	105	0	−0¼	7.58

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. 94 £	0.08	99.59	99.66	18/20	10.88
Australia & NZB Perp.	0.015	†99.65	99.75	30/10	6.15
Barclays Bank Perp. 1	0³⁄₁₆	100.65	100.75	2/01	7.06
Barclays Bank Perp. 2	0³⁄₁₆	100.42	100.52	14/08	6¼
Belgium, Kingdom of 91	0	100.54	100.64	19/02	8.06
BNP 5¼ 95	0.05	*†101.92	101.92	12/01	6.8
Britannia 5 93 £	0⅛	99.84	99.92	8/10	10.19
Chase Manhattan Corpn. 91	0⅛	99.72	99.82	20/08	6.12
Citicorp 98	0¼	99.34	99.44	29/08	7.19
Credit Lyonnais 5 00	0⅛	100.90	101.00	12/01	6.81
EEC 3 92 DM	0	100.55	100.62	20/08	4.44
EEC 5¾ 93 Ecu	0.0312	†99.84	99.94	30/07	7.66
Halifax Bldg. Soc. 94 £	0.1	99.56	99.62	6/08	10.54
Lloyds Bank Perp.	0¼	100.63	100.73	9/12	7½
Midland Bank 01 £	0.1	99.50	99.60	7/11	10.6
Milk Mrktg. Board 5 93 £	0⅛	99.86	99.92	26/09	9.94
NatWest Perp. A	0³⁄₁₆	100.69	100.79	9/01	6.94
NatWest Perp. B	0³⁄₁₆	100.64	100.74	10/02	8¼
New Zealand 5 97 £	0.07	99.99	100.09	14/08	10¾
New Zealand 5 01	0	100.29	100.39	4/02	8.13
Prudential Corpn. 4 95 £	0.1	99.87	99.97	5/09	9.85
Shearson Lehman Hldgs. 91	0⅛	†99.65	99.75	6/11	6¼
United Kingdom 5 92	0	100.17	100.24	7/10	7.19
Woodside Financial 5¾ 97	0	100.16	100.26	28/10	6.81
Woolwich 5 95 £	0⅛	99.78	99.83	19/11	10½

Average price changes on day +0.05 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	235¼	237¼	−4¼	6.27
Fanuc 3¾ 98	1/84	7032	269	271	−5	118.27
Fuji Bank 2¾ 00	10/85	1672	148	149½	−2½	8.69
Fuji Heavy Industries 3 00	8/85	676	105⅞	106⅞	−1⅞	1.28
Fujitsu 3 99	5/84	1320	140¼	141¼	−3⅞	24.27
Minolta Camera 2¾ 94 DM	2/86	1185	†102¼	102¾	+3⅝	52.67
Mitsubishi Bank 2⅞ 00	8/85	1760	142¼	144¼	−6⅝	2.09
Mitsubishi Trust 2½ 01	5/86	1600	125½	127	+2½	−12.72
Mitsui Bank 2⅞ 01	4/86	101.9	117½	119	−1⅞	−90.22
Mitsui Trust 2⅞ 01	10/86	1990	95⅝	96⅝	−0¼	9.23
Murata 3½ 00	7/84	2398	186¼	188½	−9	25.38
Nippon Elec. 2⅞ 00	1/85	1295	242¼	244¼	−11⅛	214.75
Nippon Oil Co. 3 00	5/85	923	180⅝	182¼	−9⅝	−2.93
OKI Elec. Ind. 3½ 99	10/84	805	128⅝	130⅛	−7⅛	3.79
Sanwa Bank 2¾ 00	10/85	1466	135⅞	137⅞	−0½	2.18
Sumitomo Bank 2¾ 00	8/85	2142	133¼	135¼	−1⅞	1.65
Toshiba Ceramics 3 00	4/85	1734	123¼	124¾	−1⅛	5.26
Nippon Oil Co. 2⅛ 92 SFr	3/84	1052	*†132½	132½	0	11.65
Nippon Shinpan 2 92 SFr	3/84	881	*†179½	179½	0	21.94
Asics 5 92 DM	12/83	520	†117¾	118¼	+1¼	6.04

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

INTERNATIONAL COMPANIES and FINANCE

Keppel issues bonds with warrants

BY STEVEN BUTLER IN SINGAPORE

KEPPEL INVESTMENT, a subsidiary of the state-owned Keppel Corporation, the diversified Singapore shipbuilding group, yesterday announced the issue of S$75m (US$34m) of guaranteed bonds with detachable warrants that give investors the option of purchasing 75m shares in Straits Steamship currently held by Keppel.

The issue of bonds with detachable warrants is a first in Singapore, and is aimed at tapping a market for medium-term fixed-interest debt that has suddenly appeared here in the wake of a steady decline in short-term interest rates. Overnight rates have fallen to between 2½ per cent and 3½ per cent.

The bonds bear a coupon of 4 per cent, and are redeemable after five years. The warrants may be exercised at any time during the five-year period at a price of S$2.20 per share. Straits Steamship shares closed yesterday at S$2.14.

The warrants are expected to be traded on the stock exchange of Singapore beginning later this week, although a grey market has already developed, with warrants trading at 28 to 30 cents. This has surprised some bankers in Singapore and is more than enough to compensate for the low coupon rate on the bonds.

Singapore has a poorly developed market for medium- and long-term fixed-interest debt, although a recent five-year negotiable certificate of deposit issue by Standard Chartered carried a coupon rate of 6⅜ per cent.

The 75m shares represent 30 per cent of Keppel's 82 per cent equity stake in Straits Steamship.

Keppel's acquisition of Straits Steamship in 1983, then the biggest corporate takeover in Singapore's history, proved to be an expensive disaster that helped put Keppel into the red. Keppel has lost money for the past two years, although the loss has been reduced in the first six months of 1986 and Keppel expects to break even for the full year.

Funds raised in the issue will be used to refinance Keppel's current borrowing and will lead to substantial savings in interest expenses. The issue is being lead-managed by DBS Bank, with participation by Citicorp, Daiwa, Morgan Grenfell, Singapore International Merchant Bankers, Singapore Nomura, and Wardley.

First-half recovery for OK Bazaars

By Our Financial Staff

OK BAZAARS, one of South Africa's biggest retail chains, reports a good recovery in profits for the first half of this year and plans to step up its interim dividend.

Against a modest downturn for the whole of last year, OK Bazaars has pushed pre-tax profits ahead to R9.3m ($4.1m) for the six months ended September 1986. The interim dividend is going up from 18 cents a share to 21 cents.

For the first half of last year pre-tax profits were R8.8m while for the whole of 1985-86 they totalled R24.1m. Last year the company maintained its dividend at 60 cents.

Turnover for the half year was R1.1bn, against R964m. This is an increase of 14 per cent whereas sales for the whole of last year could manage growth of only 4¼ per cent.

Last year OK Bazaars was hit by economic recession which led to a substantial decline in consumer spending. This year consumer spending has stayed at a low ebb but the group has plainly curtailed much of the earlier pressure on trading margins.

OK Bazaars operates a nationwide supermarket and household goods chain.

ACESA in Madrid share offer

By Our Financial Staff

SHARES totalling 57.5 per cent of ACESA, the Spanish motorway concession company, are to be offered for sale by a local bank consortium.

Valued at $325m, the issue will represent the largest flotation yet seen on the Madrid bourse, which this year has experienced a dramatic upsurge in both share prices and activity.

The remaining equity is held by the state, which took over ACESA in 1982 from Banco Union, the loss-making industrial bank whose parent company Banco Hispano Americano is co-underwriter of the market flotation with two Barcelona savings banks.

ACESA was one of the companies awarded a state concession to build and operate part of the Spanish motorway network.

In another stock market development, INH, the state oil holding company, plans to change its name to Grupo Repsol before floating about half of its equity on the Madrid bourse next year. The holding is to be brought to the market as a group instead of offering shares of its five member companies.

Pretoria Portland earnings fall

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S largest cement producer, Pretoria Portland Cement (PPC), continued to be affected by slow activity in the building and construction sectors in the year ended September 1986.

Turnover increased by 25 per cent to R407m ($178m) from the previous year's R326m, but the directors say that this was almost entirely due to the acquisition of a bulk cement distributor.

Operating profits before interest and tax improved to R91.1m from R90.4m, but lower investment income and higher interest payments resulted in pre-tax profits slipping to R89.2m from R93.7m.

Mr Guy Luyt, the managing director, says that cement production capacity is currently in the region of 11m tonnes against current annual demand of about 7m tonnes. He is cautious on the current year's prospects and says only that trading should be no worse than last year and that some production facilities will remain moth-balled.

The directors say, however, that the 1985-86 dividend can be increased despite the lower earnings as only limited capital expenditure is planned by PPC's cement and lime divisions.

Earnings dropped to 116.1 cents a share from 155.2 cents but the dividend is going up to 47 cents from 43 cents.

PPC is a 60 per cent-owned subsidiary of Barlow Rand, the industrial and mining group.

SAIC extends flotation date

BY FINN BARRE IN RIYADH

LUKEWARM investor response to the issue of shares by Saudi Advanced Industries (SAIC) has spurred the organisers to extend the flotation by three more weeks from October 28 to November 20.

Over 140 subscribers have paid a deposit of 25 per cent to raise SR70m ($18.6m). But this falls SR30m short of the planned SR100m flotation of SAIC, a company formed to invest in the Saudi Offset Investment Program.

SAIC was established at the urging of the Council of Saudi Chambers of Commerce and Industry to provide Saudi businessmen with another avenue for investing in the Offset Program. This was set up by the Government to boost high technology, capital-intensive joint ventures in the Kingdom. It was tied to the award of contracts on the Peace Shield Command, Control, Communications and Intelligence system. This system ties the Kingdom's Airborne Warning and Command System (AWAC) jets into the national air defence system.

The winning bid was submitted by a consortium headed by Boeing Aircraft, and Westinghouse. The consortium members established the Boeing Industrial Technology Group (BITG), to participate in the Offset Program.

Under the Offset Committee, headed by Prince Fahd Bin Abdullah Bin Muhammad, the companies are required to offset 35 per cent of the technical portion of their $1.18bn contract with investments in the Kingdom.

The American investments will be matched by investments by companies or individuals in the Kingdom.

Joint venture for Petrocorp

Petroleum Corporation of New Zealand (Petrocorp) has acquired a one-third interest in a joint exploration venture in Australia to which it will contribute an average of NZ$6m (US$3m) a year for the next three years. Other participants are Northern Michigan Exploration, Command Petroleum and Coolawin Resources. Petrocorp holds equity stakes in all three companies.

N. AMERICAN QUARTERLIES

TIMKEN
World's largest producer of Ball Bearings

	1986 $	1985 $
Third quarter		
Revenue	245.5m	256.1m
Net profits	†23.2m	†4.89m
Net per share	†1.88	†0.41
Nine months		
Net profits	†35.6m	7.95m
Net per share	†2.9	0.66

UNION CARBIDE CANADA
Chemicals

	1986 C$	1985 C$
Third quarter		
Revenue	83.6m	96.2m
Net profits	2.9m	3.2m
Net per share	0.9	†0.21
Nine months		
Revenue	268.4m	267.1m
Net profits	9.51m	†6.73m
Net per share	0.33	†0.5

USF AND G
Property, Casualty Insurer

	1986 $	1985 $
Third quarter		
Revenue	1.1bn	907m
Net profits	70.44m	†44.9m
Net per share	1.04	†0.73
Nine months		
Net profits	178.7m	†149.1m
Net per share	2.64	†2.56

UTD. TELECOMMUNICATIONS

	1986 $	1985 $
Third quarter		
Revenue	708.3m	813.7m
Net profits	49.6m	50.1m
Net per share	0.49	0.51
Nine months		
Revenue	2.32bn	2.34bn
Net profits	152m	161m
Net per share	1.33	1.71

WASHINGTON POST
Newspapers & Magazines

	1986 $	1985 $
Third quarter		
Revenue	291.5m	259.5m
Net profits	21.1m	22m
Net per share	1.65	1.71
Nine months		
Revenue	881.6m	787.3m
Net profits	83.9m	81.7m
Net per share	4.98	6.14

† Loss

Slimmed-down AB Foods rises 16% to £72m

Associated British Foods, slimmed down via the sale earlier this year of its Fine Fare and Shoppers Paradise companies, yesterday revealed that its first half profits had risen to £72.3m pre-tax, an increase of 16 per cent over last time's £62.4m.

City analysts had been looking for profits of £66m at the top end, and by the close of business the group's shares were standing at 293p, a rise of 2p on the day.

The results of ABF Investments, which owned the two companies, were included for only three months compared with six months previously, and its contribution to group profits fell by £4.5m to £7.9m.

Part of the proceeds from the cash proceeds of the sale were used to reduce current borrowings. The remainder was invested and investment income for the half year (to September 27 1986) improved from £15.4m to £22.2m.

The directors said the performance of the group's funds under management had not achieved the high rate of return obtained in the second half of the 1985-86 year and was below budget.

They added that any attempt to estimate profit performance for the year from the results of the first half must give regard to the effect of the disposal of the major retail division where sales and profits traditionally peaked during the latter half of the group's trading year.

The changes in the group's structure would be dealt with fully in the annual report and accounts.

The profit on the sale of ABF Investments, which exceeded £300m, would be added to extraordinary items in the profit and loss account for the year.

Group turnover for the opening half year, excluding ABF Investments, rose from £913m to £1.01bn and the trading surplus showed an improvement of £8.8m at £45.8m.

After interest charges of £3.7m (£2.4m) group profits, excluding those of ABF Investments, increased by £7.5m to £42.1m.

Tax accounted for £25.8m (£24.6m) with the UK share reduced from £18.3m to £16.2m. Minorities took a same-again £1m. There was an extraordinary credit of £2.2m (£6.2m).

● It was revealed yesterday the Associated British Foods was the beneficial owner of 2.6m (5.2 per cent) Pacific Investment Trust shares.

See Lex

Beazer and Lawrence rights under-subscribed

BY ALICE RAWSTHORN

THE RIGHTS issues of two housebuilders and contractors —CH Beazer and Walter Lawrence — closed under-subscribed yesterday following a lacklustre period for the housebuilding and contracting sector on the stock market.

Beazer unveiled its two-for-three rights issue in early September, asking shareholders for £183m to finance the acquisition of the US construction materials company, Gifford-Hill. Despite a sparkling set of financial results, in which pre-tax profits almost doubled, the Beazer share price fell from 280p before the rights announcement to 180p, the issue price.

Yesterday, when the issue closed, Beazer had received applications for 75.67m, or 71.6 per cent, of the rights.

Lawrence staged its issue as a vendor placing in late September in order to raise £22.7m to acquire Poco Properties a privately-owned housebuilder. Lawrence, like Beazer, was affected by adverse sentiment towards housebuilding following the increase in interest rates and sceptical City comment on the sector. The company also suffered because the vendor placing was a heavy issue, which in effect doubled its market capitalisation, and followed a rights issue in January.

The Lawrence issue closed yesterday having received acceptances for just 7.98m or 29.9 per cent of the shares. The issue was underwritten

Morgan Grenfell, the merchant bank acting for Lawrence, announced yesterday that an unidentified purchaser, thought to be in the house building and contracting sector, had offered to acquire 29.9 per cent of the company's post-rights shares at a slight premium. The Lawrence board dismissed the offer because of the would-be purchaser's refusal to disclose its identity and because the premium was not significant enough

Costain goes into minerals

BY MAURICE SAMUELSON

THE Costain Group is to strengthen and diversify its large-scale mining activities by branching out into the field of industrial minerals and precious metals.

It announced in London yesterday that its wholly-owned US subsiiary, Costain Holdings, had completed a merger with the Denver-based NICOR Minerals Ventures, a subsidiary of NICOR,

NICOR Mineral Ventures has interests in a recently completed talc mine and processing facilities in Montana, and rights to develop a silica sand deposit in Michigan and a number of precious metal properties in other parts of the US.

Property group bids £94m for 1928 Trust

By Nikki Tait

London & Edinburgh Trust, the rapidly-growing property company headed by the Beckwith brothers, yesterday made a £94m paper or cash offer for the Nineteen Twenty - Eight Investment Trust. The offer has the backing of 1928 directors and of its largest shareholder, London and Manchester Assurance, which controls 53.6 per cent.

Once in control of 1928, London & Edinburgh plans to realise the investment trust's holdings, which consists principally of stakes in other investment trusts. This, estimates LET, should yield "in excess of £80m after expenses."

But LET denied that the cash-raising exercise heralds any bid activity.

LET is currently involved in development programmes worth over £600m, and has also been building up interests in financial services, including a substantial minority stake in Kellock, the factoring company run by Mr Nick Oppenheim.

The terms of the offer depend on calculations of formula asset value which, on 29th October, was estimated at 243p per 1928 stock unit. For every 50 1928 stock units, shareholders are being offered one LET unit—comprising 2 new LET and 11 new LET preference shares—for each £22.75 of formula asset value, up to a maximum FAV of 245p. If FAV exceeds 245p, the excess over that level will be paid in cash out of LET's own resources.

The cash alternative offers stockholders 100 per cent of FAV in cash and is underwritten by LET's advisers, Barclays de Zoete Wedd, to the extent of £22.75 per LET unit.

With LET shares down 30p to 635p yesterday, and the preference shares estimated at 105p, that paper offer becomes worth 259p per stock unit, while the cash alternative is 243p. That compares with net asset backing of 246p a stock unit on October 29, according to 1928's estimates, and a market price—up 14p yesterday—of 240p.

Savoy reveals nominee holder

By Alice Rawsthorn

THE SAVOY HOTEL group announced yesterday that La Fondation pour la Formation Hotelière identified itself late last week as the nominee shareholder for which Child's Bank has been buying shares in the Savoy.

La Fondation now holds 5.77 per cent of the Savoy's "A" shares and 155,163 or 11.88 per cent of its "B" shares. Mr Giles Shepard, the Savoy's managing director, said yesterday that the group did not know who controlled La Fondation.

The identity of the Savoy's nominee shareholders has been an issue of contention between the group and its largest shareholder, Trusthouse Forte, the hotels and catering chain.

THF has pursued the Savoy ever since an unsuccessful takeover bid in 1981. It has since built up a 69 per cent holding in the group, but owns just 42.3 per cent of the voting power. Under the Takeover Code THF may only increase its stake by 2 per cent a year.

Having failed in its attempt to force the Savoy board to disclose the identity of the nominees at the group's annual general meeting in May, THF embarked upon legal action to discover their identity. THF said yesterday that it intends to continue with its action, although it will review what course of action to take.

Hoskyns Group plans listing on London SE

Hoskyns Group, the computer services company which has been a wholly-owned subsidiary of US-based Martin Marietta since 1985, is planning a listing on the London Stock Exchange via a placing.

Only a minority of the shares will be placed (under Stock Exchange rules, the minimum is 25 per cent) and Martin arietta will retain a majority holding.

r Geoff Unwin, Hoskyns' managing director, said that there were three main reasons for listing: to give staff a chance to obtain shares; to make acquisitions easier, and to improve the company's profile.

J. Henry Schroder Wagg are advisers, and Hoare Govett the brokers, to the issue.

Charles Batchelor on Maxwell's agreed £265m bid for AE

Engineering a scientific approach

THE CITY has grown almost used to Mr Robert Maxwell popping up in the middle of someone else's takeover bid to intervene on the side of either the bidder or defender.

He has already involved himself in bids for Extel and for McCorquodale this year.

But if the imposing figure of the chairman of British Printing & Communication Corporation and Mirror Group Newspapers has become a regular player on the printing and publishing stage he is still an unfamiliar operator in the world of engineering.

His intervention yesterday in the three-and-a-half month bid battle between Turner & Newall and AE—with a £265m agreed bid for AE—confirmed his intention of becoming a force in this area too.

At a Press conference curtailed by Mr Maxwell's departure to attend two separate legal actions in the High Court Mr Maxwell outlined the broad strategy behind this move. But he left unexplained the detail of how Hollis, the Pergamon Press subsidiary which is making the bid, would become a serious contender in the engineering sector.

"The manufacturing base of the UK has been trimmed," he said. "It is time that stopped. Those companies which have survived have a great opportunity to go forward. I want to build a group based on science and high technology."

If analysts and fund managers were surprised at Mr Maxwell's move they reserved even stronger terms of amazement for AE's decision to relinquish independence and to team up with a company offering little in the way of industrial logic.

"After three - and - a - half months arguing vociferously the lack of industrial logic in a takeover by T & N they have jumped into bed with a publisher," commented one analyst. "I'm as stunned as anyone else. This is a strange and rather desperate move for AE," said another.

Mr Robert Maxwell (left) and Sir John Collyear, chairman of AE.

Sir John Collyear, AE's chairman, did not even attempt yesterday to defend his board's agreement to the merger in industrial terms.

The industrial logic argument had been one that was advanced by T & N, he claimed. AE had merely said there was no logic in a link with T & N, not that there had to be logic if AE sought a white knight.

"AE is such a dominant part of the new group (to be called AE-Hollis) that we are in fact forming a new company," Sir John said. "Hollis is a convenient vehicle, a base for further growth."

This nonchalance is unlikely to appeal to fund managers who have stood behind AE on industrial grounds or who recently backed two other bid targets in the engineering sector—APV Holdings and McKechnie Brothers — for similar reasons.

The lack of detail about the new company owes not a little to the speed with which the deal has been put together. AE had been looking for a "white knight" but it was not until last Wednesday that Mr Maxwell got in touch with Sir John.

Outlining his plans for AE-Hollis, Mr Maxwell said: "Hollis has been looking to acquire specialist engineering companies but we have lacked in-depth management to run an engineering enterprise. AE is a uniquely capable company."

AE will bring Hollis the experienced management while Pergamon Group is intended to make available its world-wide marketing connections and other resources. Quite how a publisher can help an automotive industry manufacturer was not immediately clear, however.

Hollis was a name which sent many analysts scrabbling for their files yesterday. Known until recently as Hollis Bros ESA (short for Educational Supply Association) it has spent most of its corporate life as a timber merchant and supplier of metal and wooden furniture to schools and offices.

It was rescued from threatened closure in November 1982 by Pergamon Press, and has been used as a vehicle for several deals.

It has been over the past month that Mr Maxwell's broader plans for Hollis have become clear with the establishment of two new divisions —financial and professional services and industrial activities.

On the industrial side Hollis is staging a £4m rescue of Stothert & Pitt, the Bath-based crane-maker.

It emerged as a "white knight" with an £8.9m bid for Grosvenor House, a troubled electronics and engineering company which was fighting a hostile bid from BSA Group.

AE-Hollis has an unusual board structure intended to retain AE's autonomy and at the same time allow its other activities to expand.

But some City cynics wondered how long Sir John Collyear, who becomes chairman, will remain independent.

Three key members of the merged board are Mr William Everitt, who stays as managing director responsible for AE; Mr Kevin Maxwell, 27-year-old son of Robert Maxwell, who is managing director in charge of professional and financial services; and Mr Colin Robinson, formerly head of petrol retailing and motor distribution at Mr Gerald Ronson's Heron Group, who became managing director of Hollis Industries last month.

Following the Takeover Panel's ruling of last week that T & N could bid again for AE without delay, AE felt its chances of remaining independent were slight. T & N's near-30 per cent stake in AE, the legacy of its original bid, gave it a strong base from which to launch another assault.

What is likely to be the reaction of fund managers to the deal? Early indications were that the Hollis offer was pitched so generously it would succeed. Institutions are likely to go for cash alternative rather than take AE-Hollis shares on the grounds Hollis/Maxwell would not add materially to AE's strengths.

Mr Maxwell's return to favour in the City has been reflected by a willingness on the part of institutions to take his paper in a number of recent deals but few people see him—yet—as the owner of an engineering empire.

He is clearly banking on a large number of AE shareholders opting for cash to avoid reducing Pergamon's 52 per cent stake in Hollis below 50 per cent.

Whether the institutions opt for shares or cash they have been made what appears a very full offer by Hollis. T & N would be hard pushed to better those terms, in the view of many analysts.

What was puzzling the City yesterday was the optimistic view Mr Maxwell appeared to be taking of the automotive components industry.

AE failed to find a "white knight" among the more conventional engineering groups. Does Mr Maxwell know something the rest of the industry has missed?

Norwegian stake in TR Natural

BY CLAY HARRIS

OSLO-BASED Platou Investment has bought a 28.8 per cent stake in TR Natural Resources Investment Trust, a listed trust with assets of about £94m.

The trust, managed by Touche Remnant, is believed to regard the Norwegian purchaser as a friendly, long-term investor. It is also expected to announce today that talks over a possible bid for the trust, announced last month, have now come to an end.

Platou, a private investment company with assets of about £80m, bought the shares from International Financial Markets Trading and an associate IFM Foreign Investments SA of Panama.

Platou's investments to-date have been centred in Scandinavia. The TR stake is its first major move into the London market.

The TR trust said on October 15 that it had received an approach about a possible takeover bid, but that it was also studying separate proposals from other parties. Its shares shed 3p yesterday to close at 142p.

Piccadilly House raises LCAH holding to 29%

Piccadilly House, an investment group with Australian ties, is increasing its stake in London and Continental Advertising Holdings (LCAH), the troubled poster and showcase advertising company, from 8.23 per cent to 29.9 per cent.

The complicated deal will involve a £7.4m rights issue by LCAH underwritten by Piccadilly House.

Piccadilly will also put three of its own directors onto the LCAH's board after a boardroom reshuffle.

The advertising company was once a star-performing stock, but reported a £1.36m pre-tax loss in the first half of this year, following a decline in demand in its core posters business.

It is hoping that a link with Piccadilly House, associated with Australian outdoor advertising specialist W. R. Carpenter with strengths in the application of eletcronic technology, will diversify its product range.

The rights issue is of 6.7m shares on a 4-for-13 basis at 110p per share, representing 23.5 per cent of the enlarged equity. If Piccadilly House subscribes for all of the new shares, its stake will increase to 29.8 per cent, but in so far as shareholders take up their rights Piccadilly intends to acquire shares to bring its stake up to 29.9 per cent of the enlarged equity.

It will do this either by a tender offer at 110p per share made by Barclays de Zoete Webb, its adviser, on its behalf, or by acquiring shares in the market, depending on the size of the shortfall.

Under the deal with Piccadilly House, Mr David Harris will depart as LCAH's deputy chairman, Mr John Goffar, LCAH's chairman and co-founder who sold 300,000 of his 1.3m shares in LCAH last June, and Mr Ronald De Young, who sold about a quarter of his 873,000 shares, will also resign.

Mr Christopher Perry, who was appointed group chief executive in September to tighten management and financial controls, will stay on.

New appointees to LCAH's board include Mr John Lawrenson, group general manager of W. R. Carpenter, Australia, who will become non-executive chairman, and Mr Peter Sawdy and Mr Gordon Lee-Steere, directors of Piccadilly House.

Directors holding 14.2 per cent of the present issued share capital have renounced their rights in favour of Piccadilly House, while clients of Mercury Warburg Investment Management have pledged 16.1 per cent in favour of the proposals.

LCAH is advised by Kleinwort Benson. Yesterday its shares closed 3p lower at 99p.

BSG expands in Australia

BY CLAY HARRIS

BSG International yesterday extended the reach of its motor components side with the purchase for £8.1m of Rainsford Metal Products, the dominant Australian maker of car mirrors, seat belts and children's safety seats.

The acquisition is to be financed through the issue of 18.9m new shares, expanding the company's share capital by 12.6 per cent. The shares have been placed at 48p by Samuel Montagu, the merchant bank, but existing shareholders will be able to "claw back" all of the new shares at the placing price.

Rainsfords, which is being sold by Elders IXL and Wood Hall Australia, had operating income of A\$5.04m (£2.3m) on turnover of A\$53m in the year to June 30.

Pineapple pays £3m for Golden Key

Pineapple Group, the USM-quoted dance studio operator and clothes manufacturer, is buying Golden Key Promotions, the sales promotion incentive schemes company, at a cost of up to £3m, of which £500,000 cash is payable immediately.

The purchase forms part of Pineapple's drive into the consumer services area since its core dance studio business moved into los last year.

Golden Key has arrangements with about 200 hotels, entitling customers to free accommodation provided they purchase meals at minimum set prices.

Pineapple will pay £500,000 initially, and then two further tranches over the next two years, depending on Golden Key's pre-tax profits. The further consideration will be satisfied by a maximum of 3.48m Pineapple ordinary shares and unsecured loan stock.

Lucas Industries

Lucas Industries' full year profits will be announced next Monday and not on Friday as stated in last Saturday's FT.

Queens Moat goes Dutch

Queens Moat Houses, the hotelier, has acquired the Hotel Maatschapij Heelsum, the privately-owned holding company of Dutch hotel group, Bilderberg for Fl 50.6m (£15.5m).

Although there is a cash element of £1.66m, the majority of the consideration has been satisfied by the issue of 22.5m QMH shares, 10 per cent of the existing share capital. The shares were bought from the vendors by Capel-Cure-Myers, who placed them yesterday morning with leading institutions.

Bilderberg owns a chain of 12 hotels in the Netherlands, specialising in the business conference market.

DIVIDENDS ANNOUNCED

AB Foods ....int	2.2	—	1.9	—	6.1
Anglo Amer Agri	1.6	—	1.45	1.60	1.45
Bridport-Gundry	†4.6	—	3.55	6.25	5
Celtic Haven	0.5	Nov 14	0.5	0.75	0.75
Godwin Warren ...int	1.1	—	1.1	—	2.2
Osprey Commun ...int	0.5	—	nil	—	1.25
Oxford Instrmnts ...int	†0.8	Mar 27	0.6	—	1.8
UDO Hldgs	1	Dec 19	0.83*	1.5*	1.25*

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock § Unquoted stock.

COMPANY NEWS IN BRIEF

THE PROPOSED £156m management buy-out at printing group McCorquodale might mark the first investment by the Electra Candover Direct Investment Plan which is providing much of the equity for the deal. The £260m fund was set up in late 1985 by Candover Investments and the Electra Investment Trust — pooling money drawn from over 35 institutions—to invest in large management buy-outs.

ANGLO AMERICAN Agriculture (manager of agricultural estates in the US): dividend 1.6p (1.45p) for year to December 31 1985. Turnover £651,000 (£665,000) and pre-tax profit £174,700 (£247,000). Net profit £103,500 (£163,300) after tax of £71,200 (£83,700). Earnings per share 1.26p (1.99p). Company, currently quoted under Stock Exchange Rule 535.2, is to seek full listing at end of current financial year.

W A HLDGS (distributor of rubber and plastic products): No interim dividend (same) for six months to July 31. Turnover £7.74m (£6.68m) and pre-tax profit £293,000 (£142,000). Attributable profit £209,000 (£82,000) after tax of £80,000 (£60,000). Earnings per share 1.03p (0.47p). Further acquisitions in line with the group's expansion policy are planned and prospects continue to be encouraging.

BANRO INDUSTRIES: Board announces that 93.4 per cent of 2.5m ordinary shares offered in its rights issue have been taken up.

Racal Vodafone stake worth at least £666m

BY DAVID THOMAS

Millicom, the US mobile communications company, has discussed selling its 15 per cent stake in Racal Vodafone cellular network with several US companies, including some of the giant Bell regional telephone operating companies.

This was confirmed in New York yesterday by Mr Shelby Bryan, Millicom chairman, who stressed that no definite offers had been made.

Mr Bryan said he was pleased to hear of the £125m value being put on Millicom's stake in press reports at the weekend.

Racal is unlikely to be interested in adding to its 80 per cent stake in Vodafone, though Racal has a first option if Millicom sold its stake and would have to approve the new buyer, Mr Chris Gent, managing director of Vodafone, said yesterday.

Mr Gent stressed that Vodafone had a rapidly expanding national network and a 25-year licence. He therefore thought that £125m was at the bottom end of what Millicom's 15 per cent stake would be worth.

Use of cellular phones in the UK has grown more rapidly than expected since their launch at the start of last year. Vodafone now has about 55,000 subscribers, a figure growing by over 600 a week.

Vodafone has so far invested about £100m. Together with Vodac, Racal's cellular phone equipment supplier, it is expected to make a £5m profit this year, with much larger profits next year.

Racal's share price closed 6p up yesterday at 174p.

Sheffield Brick suspended in reverse takeover

BY PHILIP COGGAN

SHARES IN Sheffield Brick Group, ironmonger, were suspended yesterday as the company prepared for a reverse takeover by Benson Group, a private industrial company. At the same time, Sheffield announced a pretax loss of £153,000 in the 17 months to May 31 1986.

The origins of the deal go back to 1982, when Mr John Wheeler led a management buyout of Benson Heating, then a subsidiary of Wolseley-Hughes, central heating and plumbing distribution group. In March of the following year, a specially-created compauny, Lomaslight, owned by Mr Wheeler, and a group of investors, bought 50.3 per cent of Sheffield Brick. Because of Stock Exchange rules, Benson had to wait until it acquired a five-year trading record before moving for a listing.

Sheffield will acquire Benson via the issue of 15.31m new ordinary shares, giving Mr Wheeler and his group a little more than 60 per cent of Sheffield's equity. The transaction will need the support of half Sheffield's independent shareholders

Benson manufactures space heaters, tow bars and materials handling vehicles. In the year to May 31 it made pre-tax profits of £380,000 on turnover of £4.6m

Sheffield Brick's figures showed a trading loss of £92,000 against £84,000 profit in 1984 on turnover of £3.38m (£2.74m). After interest of £61,000 (£76,000), a nil tax charge (nil) and an extraordinary debit of £42,000 (£102,000 credit), the loss per share was 3.21p (0.17p earnings). Sheffield has not paid a dividend since 1981.

Waterford disposes of lossmaker

Waterford Glass, the Irish hand-made crystal manufacturer which recently acquired Wedgwood for £250m, has completed the sale to Mr Bill Cullen of Smith Group, the loss-making Irish Renault car distributor.

The transaction, which was announced in August, will reduce Waterford's net debt and bills by about I£10m, but gives rise to an extraordinary loss of about I£1.5m in the current year.

Waterford has so far retained Smiths Self Motoring, the profitable contract hire and car leasing company, but says it is in discussions expected to lead to its sale.

UDO profits surge 75%

UDO Holdings, the supplier of drawing office and related equipment which obtained a full listing in May, reported pre-tax profits up from £1.55m to £2.71m for the year to July 31 1986. A final dividend of 1p is proposed, making 1.5p (1.25p) adjusted for the 2-for-1 scrip issue in April.

Mr T. A. Rutter, chairman, said the current year had started well and UDO was confident of sustaining a satisfactory level of growth.

Turnover rose sharply last year, from £12.69m to £20.9m. Tax took £1.05m (£667,000), leaving adjusted earnings per 10p ordinary share at 8.03p (5.05p).

Godwin Warren in the red

Godwin Warren Control Systems, the USM-quoted manufacturer and supplier of car parking systems and equipment, moved into the red in the six months to June 30 1986, in line with a warning given at the annual meeting in June.

However, the directors predicted a profitable second-half, thanks to two new products and steps taken to rectify problem areas.

Godwin incurred a loss before tax of £452,000 compared with a pre-tax profit of £225,000 in the same period last year. The loss per share was 9.3p (earning 3.9p) and the interim dividend is maintained at 1.1p.

UK COMPANY NEWS

Oxford Instruments below forecast with £8.5m profit

ALTHOUGH pre-tax profits at the Oxford Instruments Group rose from £6.66m to £8.51m in the six months to September 28 1986, the figures were below City expectations of between £9-£10m. The company's share price fell 73½p to 462½p on the day. Turnover was substantially higher at £47.79m compared with £33.76m, but this included £10m from consolidating Oxford Superconducting Technology.

The interim dividend is raised from 0.6p to 0.8p net, and stated earnings per 5p share were ahead at 11.7p compared with 8.7p.

The directors said that although the medical and analytical instruments market had suffered respectively from the impact of US tax changes, and from the response of the petrochemical industry to the fall in the price of oil, they remained confident that the group would continue to make good progress.

In April, the partnership with BOC Group — Oxford Superconducting Technology — became wholly-owned by the group. First half results include, in full, those of OST, but comparatives for the half year to September 28, 1985 include only the group's 70 per cent interest in the pre-tax figures of OST.

Part of the group's growth was due to increased shipments of diagnostic imaging magnets, although there were signs that the US market for magnetic resonance scanners would move into a period of consolidation next year.

The company's two recent product developments, a low cost compact magnet and a self-shielded magnet, should give added stimulus however, to shipments in 1987.

Bank balances, net of borrowings, at September 28 1986 showed a surplus of £7.7m. After adjusting for the inclusion for the first time, of the borrowings of Oxford Superconducting Technology, plasma and analytical marketing, there was a positive cash flow of £2.9m in the first half.

See Lex

Monopolies referral for Strong's Garnar bid

By Nikki Tait

THE £20M hostile bid by Strong & Fisher (Holdings) for fellow-leather manufacturer Garnar Booth is being referred to the Monopolies and Mergers Commission.

Strong's immediate response was surprise. "Frankly, I'm amazed," said Mr Richard Strong, managing director. "We had institutions backing us. I don't know what persuaded the OFT — lack of understanding, perhaps."

At the bid's first closing date 10 days ago Strong had received acceptances in respect of 4.25 per cent of Garnar's shares. It has also built up a 14.9 per cent stake. Mr Strong refused to comment on whether the company would pursue its bid, or its plans for its holding.

Garnar Booth said it was delighted by the decision. Mr John Fooks, deputy chairman said: "We had such good commercial arguments, we felt it should be referred."

The decision by the Office of Fair Trading was thought to have been finely-balanced, and followed representations from all quarters of the leather industry.

Garnar and its supporters argued that the merger could have created a very large buyer of lambskins in the UK market, possibly able to manipulate prices—and might also affect the supply of lambskins to independent tanners, some of which are provided by Garnar.

In reply, Strong contested that the merger would bring efficiency gains and that any increase in pricing power would be limited by the presence of independent and international competitors.

Shares in both companies were unchanged on the news, Strong & Fisher at 142p and Garnar Booth at 176p.

Andrew Gowers considers the moves in the continually-changing battle for British Sugar

New steps in the beet square dance

AT TIMES this year, the struggle for control of British Sugar, the UK beet refining monopoly, has looked less like a takeover battle than a peculiar square-dance.

One potential partner has been played off mercilessly against another by the parent, S. & W. Berisford, commodity trading group, anxious for the best, or at least the most lucrative, match to take the company off its hands.

This week it seems as if Mr Ephraim Margulies, Berisford's wily chairman, has chosen Ferruzzi, Italian agribusiness group, which emerged as the first suitor back in February, against Tate & Lyle, UK cane sugar refiner, with which he undertook serious negotiations during the spring.

Berisford confirmed yesterday that it was close to signing a deal, subject to its shareholders approval, under which it would sell a 70 per cent stake in British Sugar to Ferruzzi, which now has 23.7 per cent of Berisford's shares. The deal, expected to be completed in the next week, would yield about £400m, helping to ease Berisford's debt problems and to remove it from the takeover spotlight.

This, however, is not the last word. The Monopolies and Mergers Commission is still examining the rival approaches to Berisford from Ferruzzi and Tate, which has a 10.4 per cent stake.

And, nobody in the City is betting that Mr Margulies, or Marg, as he is known, will stay faithful to his choice if a more profitable offer comes up.

Both Ferruzzii and Tate are almost indecently keen to get hold of British Sugar. Ferruzzi, already Europe's largest sugar conglomerate with substantial interests in Italy and France, wants to add the UK beet company in order to obtain control of refining capacity in another key market and to strengthen its voice in Brussels. And it is apparently prepared to pay well above market values for the privilege.

Tate wants the company to shore up its ailing UK operations, which have been hit by dismal returns from refining cane sugar. Whether it is prepared to match the generous terms apparently agreed by Ferruzzi remains unclear.

Mr Shaw spoke vaguely yesterday about other options Tate and Berisford might explore, such as taking less than 100 per cent of British Sugar.

The questions rest with the Monopolies Comimssion, and ultimately the Government. If Tate gained control of BSC, it would have more than 90 per cent of the UK sugar market. Ferruzzi would control a little less than a quarter of EEC sugar output, and the theoretical ability to put a new squeeze on Tate & Lyle.

The issue is generating much political heat between the rival beet and cane sugar lobbies. Tate points to Britain's treaty commitment to import cane sugar from developing countries in Africa, the Caribbean and the Pacific. Ferruzzi beats the drum for its ability to campaign for an increase in British beet output.

Much mileage has been made of British Sugar's status as a supposed strategic asset and Ferruzzi's foreign origins. The fear has been raised that Ferruzzi might swamp Britain with cut-price imports of French surplus sugar, that it would not have British interests at heart.

If 30 per cent of the company were to remain in British hands, Berisford and Ferruzzi claim, the problem would not arise. Ferruzzi has apparently agreed to give detailed undertakings safeguarding the position of British beet farmers and sugar buyers.

Berisford is parading itself, none too plausibly, in the eyes of some City analysts, as a guarantor of British interests and an opponent of the sort of monopoly power which Tate would wield if it acquired BSC.

The questions remain: whether all this is enough to satisfy the Monopolies Commission, and whether Mr Margulies might be persuaded to change his mind. Certainly, if the Commission allows both suitors to proceed, the sugar industry square dance will turn into a particularly bloody takeover battle.

Sweet-talking Britain's farmers

ENGLAND'S 12,000 sugar beet farmers, now in the field during the hard-fought annual campaign season, have been at the heart of the battle for British Sugar in recent weeks, writes Fiona Thompson.

Sweet talking has been rife at meeting halls in county towns throughout the beet producing areas as Tate & Lyle and Ferruzz seek alliance with the farmers to gain support for their bids.

Pin-stripes on the platform, autumnal tweeds and brouges in the audience. Farmers with shrewd, ruddy faces coming, well-scrubbed, from the fields to be convinced, or not, by the arguments.

Suffolk farmers were brought toegther beneath the heavy chandeliers and ornate plasterwork of the Athenaeum assembly rooms in Bury St Edmunds for the Tate & Lyle meeting, and in an austere modern conference room at the Moat House Hotel on the outskirts of Ipswich by Ferruzzi.

Both companies are planning on a European scale; their meetings have been suitably cosmopolitan.

Mr Picco, responsible for Ferruzzi's sugar division, did not speak one word in English but this did not prevent him telling the Ipswich audience that to make headway with the European Commission, "various countries must speak the same language."

Tate & Lyle, rather more diplomatically, also expressed the need to speak from a position of strength. A large blue banner strung between two pillars in the Athenaeum declared: "One voice in Europe for Britain's sugar."

A little more than one month into this year's campaign—the 120-day harvesting and processing of the beet crop—the farmers' response to the campaigns appears mixed, with the impact of Sir Richard Butler, "the English face of Ferruzzi," being double-edged.

He has been reassuring many who feared Ferruzzi's foreignness. However he is immediate past president of the National Farmers Union and, since June, chairman of Agricola UK, Ferruzzi's British holding company, a sequence of appointments which has been regarded as controversial by some farmers suspicious of the Italian incursion into the British beet industry.

The NFU has consistently said it would prefer a UK solution. Mr Mike Garrod, who farms over 150 acres of beet in Dereham, Norfolk, and is chairmain of the NFU's sugar beet committee, said there was concern about the Ferruzzi bid because farmers were not convinced that a multinational would put UK interests first. He saw benefits in a unified UK sugar industry.

"A degree of stability in the industry is crucially needed. We have been kicked around like a football for the last three years," he said.

Full listing for Alida

BY ALICE RAWSTHORN

Alida, the USM-quoted manufacturer and distributor of plastic bags and packaging, yesterday announced its intention to graduate from the USM to the main market.

When Alida joined the USM in 1984 it was valued at just £7m. During its time on the junior market the company has engaged in an active acquisition and expansion policy, diversifying from its base in plastic bag manufacturing, into a wide range of packaging activities. Alida is now valued at around £27m.

"We are now one of the bigger companies on the USM and it is time to move to a full listing," said Mr Rex Stone, Alida's chairman. "Being quoted on the USM does pose problems in that some institutional investors are unwilling to take holdings in the company."

Alida has had an eventful track record. The company first went public, with a full listing, in 1971 when it joined the stock market with a value of £2.52m The company floundered in the late 1970s when demand fell, raw material prices rose and competition intensified. In 1978 it was bought by Rockware. Five lears later Alida's management regained their independence by staging a management buy-out for £2.9m.

Bridport-Gundry nears £3m

Bridport-Gundry Dorset-based maker and retailer of netting and twisted and woven products, made further progress in the second six months and for the full year to July 31 1986 saw its profits rise by £727,000 to £2.84m pre-tax.

Furthermore, the fishing markets on which the group depends for much of its business in Britain, Ireland and North America, had all shown increased demand since year-end.

The directors said they were continuing to make heavy investment in product development marketing, new distribution centres and equipment to ensure a satisfactory future.

Lolift, manufacturer of intermediate bulk containers, had been a cause for concern and its capacity was reduced

Group turnover for the past year improved from £30.21m to £37.59m and gross profits showed an improvement of £1.81m at £9.21m. Distribution costs increased to £3.76m (£3.1m) and administration expenses to £2.29m (£2.03m).

Tax rose by £388,000 to £1.04m, but minorities fell from £89,000 to £49,000.

Earnings emerged at 19.13p (15.49p) and a final dividend of 4.6p (3.55p) increases the net total by 1.25p to 6.25p

The UK properties were revalued at year end and gave rise to a surplus (excluding Hall's Barton) of some £580,000. The Hall's Barton properties were also valued and brought into the group's books at a figure considerably in excess of former book values.

Arenson Group

Arenson Group will be announcing its full year figures on Thursday, and not Wednesday as stated in last Saturday's FT.

Hargreaves holders accept Coalite bid

Coalite, the fuel manufacturing group, has won its £99m bid for Hargreaves Group—receiving acceptances from, or itself owning, 56.8 per cent of Hargreaves' shares by last Sunday's closing date.

The only possible remaining obstacle is the European Commission — whose consent is needed under the Treaty of Paris. But this is expected to be forthcoming, and the Commission's decision should be known before November 23 when the bid goes unconditional in all respects.

Coalite announced yesterday that Mr Bob Strachen, managing director of Hargreaves, will stay on in his current position.

APPOINTMENTS

Royal Bank of Scotland restructures

THE ROYAL BANK OF SCOTLAND GROUP is undertaking further restructuring. Mr D. Robinson, general manager, consumer banking services, is to be executive director, services, from December 17. Two posts of senior general manager are introduced to co-ordinate the activities of the five existing regions: Mr A. J. Reid, senior general manager, north, will be responsible for Edinburgh, Glasgow and Aberdeen regions, while Mr D. W. Lewis, senior general manager, south, will oversee London and Manchester regions. Both are from December 1. The five regions will be headed by general managers: Mr I. M. Sutherland (Edinburgh), Mr A. Peers (London), Mr K. J. Duncombe (Manchester), Mr J. Grier (Glasgow) and Mr J. M. Macdonald (Aberdeen).

★

Mr Terry Smith has been appointed president of Simon Engineering's newly-acquired subsidiary, ANTHES HI REACH INC, of Pennsylvania, US, maker of Skywitch scissor lift work platforms. He is also president of Simon Aerials Inc. of Milwaukee. Mr Victor Spier has been appointed vice-president (finance). Anthes Hi Reach will be renamed Skywitch Inc.

★

Mr Michael Walter has become a partner of STEPHENSON HARWOOD.

★

NATIONAL FREIGHT CONSORTIUM has made the following senior appointments: Mr R. W. Irons has been appointed group managing director (designate) of the BRS Group. He will succeed Mr Geoff Pygall who will be retiring on October 25, 1987. Mr Irons is currently group managing director of the NFC Distribution Group. He will take up his new post on October 5, 1987. Mr B. K. Burns, managing director, BRS Midlands, has been appointed group managing director (designate), NFC Distribution Group, to succeed Mr Irons. Mr Burns will leave his current post in the near future to work closely with Mr Irons on the planning process and to assist the group with its recent acquisition. He will take up his new post on October 5, 1987. Mr G. S. Roberts, managing director of NFC's parcels operations — National Carriers-Roadline—has been appointed to the executive board of NFC.

★

ECS, the French-based computer leasing subsidiary of Societe Generale, has appointed its first UK managing director. He is Mr Antoine Colboc, who was sales director responsible for small, mid and large computer systems.

★

Mr David Pickford, until recently chairman of Haslemere Estates, has joined the board of CITY & METROPOLITAN BUILDING SOCIETY. Mr Dennis Simmons has been appointed managing director designate pending the retirement of Mr Geoffrey Gass in March, 1987. Other appointments are: Mr Leslie Bause, general manager (development), Mr Tom Mingay, general manager (administration), Mr Howard Witton, assistant secretary, and Mr Michael Borrill, assistant manager (mortgage).

MANAGEMENT : Small Business

EDITED BY CHRISTOPHER LORENZ

Skill transferability

Potential talents denied

Richard Scase and Robert Goffee encourage more managers to leave large corporations

THE Government is keen that more people in Britain should start their own businesses. To this end, the Manpower Services Commission sponsors start-up programmes, and initiatives by private and public sector organisations have led to the proliferation of enterprise agencies and other forms of support and advice throughout the country.

This has led to a growth in the number of start-ups, particularly among the unemployed. But, as yet, these schemes have attracted few managers who are either unemployed or working in large companies and who possess knowledge and skills that could be used for running their own businesses.

This is worrying since such managers, by comparison with the majority who start their own businesses, have the technical and leadership skills necessary to realise real growth and job creating potential.

The unemployed industrial worker may be able to start a business on a self-employed basis but is unlikely to have the managerial and financial experience needed for business growth. If more start-ups that will go on to grow, are to be created, it is vital that more managers leave the relative security of corporate life and become entrepreneurs. At the moment, this does not occur on a sufficiently large scale. Why is this?

Britain's education system, especially at its higher levels, fosters ideals of the career, the profession and employment within large organisations. It is little wonder that graduates develop a need for security and therefore search for employment which offers them career prospects that are predictable and orderly. Such ambitions are hardly likely to foster the qualities required for risk-taking entrepreneurship.

Even those studying the more business-related disciplines such as accounting, economics, law and management receive teaching inputs that overwhelmingly train them for managerial and professional responsibilities in large companies rather than the all-round skills necessary for starting their own businesses. MSC graduate enterprise schemes are a step in the right direction, but, generally speaking, it remains the case that to train managers is not to encourage entrepreneurship—quite the reverse.

Once inside large organisations, managers become increasingly "locked in" both psychologically and financially. Corporate career structures foster corporate dependence. Even when organisations — in the context of contraction and retrenchment — can no longer "deliver" the rewards of promotion, status and power, managers typically lack the confidence to become independent.

Linking financial rewards to length of service and rounding off with generous company pension schemes further binds managers to their companies. In this context, business start-up entails a price which is seen to be too high to pay. What new business venture can promise these kinds of reward in later life?

Secure jobs

The problem is further compounded by the financial commitments entered into by many managers, by virtue of their secure jobs. These severely limit the extent to which entrepreneurial ventures can be personally financed. When, for example, managers invest in private education — ironically often to enhance their children's opportunities for a professional career—they reduce their financial capability to launch a new business.

Similarly, a personal investment in housing, often seen to offer better financial returns than a business, involves heavy mortgage commitments which tie up potential resources for start-up capital. Certainly, in Britain, the housing market offers security, capital appreciation and personal pleasure which few business ventures can match.

It is, then, not surprising that the managers who do give up their jobs and start their own businesses are normally in their late forties and early fifties when their housing and educational investment commitments are reduced. But they then often regard starting up a business as a way of "opting out." They start business ventures in order to "get by" financially during the remainder of their working lives. Their enterprises, as a result, have little or no growth potential.

How, then, can energetic young managers be encouraged to start their own businesses? There are signs of change. The less secure nature of jobs in modern management — brought about by frequent organisational restructuring, takeovers, rationalisations, etc—is encouraging managers to be more cautious about committing themselves to long-term financial obligations.

This, paradoxically, is leaving them with capital resources that can be used for business start-up purposes. At the same time, the increasing practice in large companies of offering remuneration packages based upon performance and results rather than length of service is encouraging a more entrepreneurial attitude among managers. Further, more firms are "networking" and encouraging some of their managers and technical experts to become self-employed and to hire-back their services on a fee-paying basis.

But in line with these trends, there needs to be the implementation of a number of more precise measures. Certainly, the skills required for business start-up and small business management need to be more widely incorporated within the training of scientists, technologists and engineers in universities, polytechnics and colleges. After some years gaining experience in large companies, people with such skills would then be more psychologically predisposed to the idea of starting their own businesses.

Further, the transition from management to business proprietorship could be made easier. At present a number of large companies devote considerable resources to preparing their executives in their fifties for a phased withdrawal from full-time employment. But few encourage their staff to start their own businesses.

In the 1980s there are large numbers of managers dissatisfied with their career prospects if only because of a lack of corporate growth which is limiting their chances of promotion. In the absence of good career prospects, companies could help these managers to acquire entrepreneurial skills and, when appropriate, offer financial backing within the context of partnerships and jointly-owned start-up ventures. At the same time, pension schemes could be modified so that business proprietorship will not have financial penalties in later life. The current proposals for "portable" pensions are a move in the right direction.

The Government, through the Manpower Services Commission, could also encourage more start-ups among managers by collaborating with companies in offering "in-house" training programmes. At the same time, the MSC could continue to expand its practice of sponsoring start-up courses during the evenings and over a series of weekends.

These could be geared to the specific needs of managers who have business plans with genuine growth potential. In many cases, such proposals could be prepared by managers with the active support of their employing organisations.

With teaching inputs sponsored by the MSC and the positive support of employing organisations, the high failure risks associated with business start-up could be reduced, and the transition from employment to entrepreneurship made easier and greatly encouraged.

Barrier

If, then, we are to have a larger and thriving wealth and job-creating small business sector in Britain, it is imperative that more highly-qualified managers, scientists and technologists overcome what for many of them is a psychological barrier against starting their own businesses.

The above are but some of the measures that would ease the transition from corporate employment to entrepreneurship. Some initiatives have already been taken in these directions but they need to be pursued far more positively if they are to have any real and lasting effect upon the rate of business start-ups among managers. This is particularly so in an era of shortened working lives when corporate executives are less likely to enjoy long-term careers in relatively secure jobs.

Richard Scase is professor of sociology at the University of Kent at Canterbury and Robert Goffee is lecturer in organisational behaviour at the London Business School.

Bob and Val Butcher of Bluemay, and Desmond Donohue of Donprint: joint winners of this year's National Small Business Efficiency Awards

United in filling a niche market

Charles Batchelor discovers the common factors among small business award-winners

THE SEVEN small firms which reached last week's finals of the UK's National Small Business Efficiency Awards had little in common in terms of their business activity. But what did unite them was their discovery of a specialised niche market which no other company covered or of the provision of equipment or a service which large companies were performing badly.

Their activities ranged from label printing to the supply of survival aids, from the design of specialised furniture for the handicapped to a service station for commercial vehicles.

Bluemay, a joint winner, had spotted a gap in the market for the supply of more efficient plastic components to industry.

"Our first product was not unique but it was unusual," says Val Butcher, who runs the Wiltshire-based business jointly with her husband Bob. "It was a nylon-threaded rod which we imported from Belgium and introduced to a segment of the engineering market which was not using it."

Desmond Donohoe, founder of Donprint Label Systems of East Kilbride, Scotland, the other joint winner, had similarly spotted a gap in the label business. He supplies computer printable, permanent labels for electronics equipment used in industries from consumer to defence.

Bluemay and Donprint were among more than 300 firms to take part in the competition, now in its second year, which is sponsored by British Telecom and the Association of British Chambers of Commerce. The awards were presented last Wednesday in London by David Trippier, minister responsible for small firms.

Companies first went through a regional sifting process before reaching the national finals. The judges assessed the efficiency of the companies in six main areas.

● Financial management. A surprising fact to emerge was that some of the businesses had been built up without the use of borrowed funds, though the more usual image of the small businessman is of someone who has mortgaged his house to raise capital.

Donohoe at Donprint had been prepared to put up with slow initial growth to avoid borrowings. "I was determined to be self-financing," he says. "I didn't want to take any risks, such as putting my house up for security. I borrowed nothing. I know having no financing costs makes you very competitive."

● Product or service innovation. Martin Battye, founder of Kirton Designs (third prize), realised there was a market for more comfortable furniture for the handicapped while doing some freelance design work in 1978. "Central to our approach was the premise that poor posture and positioning contributes significantly to the deformity these people suffer," he says. He now supplies every hospital for the mentally handicapped in Britain.

● Customer satisfaction. Harry Bloomer set up Bloomer Electronics (which came joint fifth) at Portadown in Northern Ireland after being appalled at how long it took for vital electronic equipment to be repaired at Portland Cement where he worked. The delays often resulted from waiting for replacement parts to arrive from mainland Britain.

Peter and James Johnson of Johnson Service Station, Park Royal in London (joint fifth) have built a sizeable business providing a same-day vehicle repair service to customers. "We deliberiately don't have a vehicle compound," says Peter. "Vehicles have to be turned round and out. That's something a lot of garages could learn."

● Overall company presentation. Bluemay's factory on the bank of the Kennet and Avon Canal at Devizes, where it makes the original and similar equipment has been designed to fit in with its surroundings and operates in near-clinical working conditions. The company is convinced that the quality of its approach and products impresses customers.

● Staff relations. Survival Aids (fourth prize), a Cumbria-based manufacturer of equipment for extreme climatic conditions, operates a profit-sharing scheme and has plans for an employee share option scheme.

"I aim to build commitment and enthusiasm from my staff," says founder Nicholas Steven. He admits, however, that he is not good at selecting people and has a relatively high turnover of staff.

● Use of modern business technology. Sturge Associated Chain Company (joint fifth) of Birmingham started out with second-hand machines for manufacturing the ballchain used in window blinds and bath plugs.

But a joint venture agreement with a US company allowed it to re-equip with new machinery. Kenneth Cleeve, the founding director, now plans to convert some of his equipment to make stainless steel ball-chain, a product currently only made in the US.

Handling the Revenue

TROUBLE with the Taxman? is the title of a businessman's guide to handling Inland Revenue investigations, published last week by accountants Deloitte Haskins & Sells.

The booklet comes in response to the more than threefold increase in Inland Revenue inquiries into companies' tax affairs over the past five years. Now there is scarcely an employer not at risk from a PAYE investigation and nearly all self-employed people or private companies can expect to come under the tax authorities' scrutiny at any time, warns the book.

Written by Rick Helsby, a member of the firm's tax investigations team, the book outlines what steps businessmen should take and whose advice to seek so as to avoid receiving an unwelcome visit from the Inland Revenue which could lead to an unexpected tax bill.

At £4.95, Trouble with the Taxman? is available from all major bookshops or from Deloitte's publications department at PO Box 207, 128 Queen Victoria Street, London EC4P 4JX.

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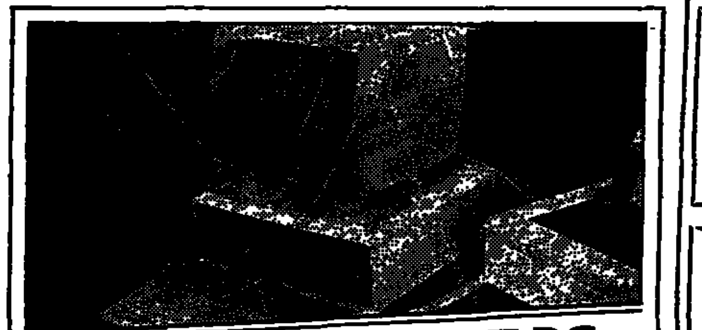

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In the matter of
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Company Notices

SOCIETE GENERALE DE BELGIQUE
Public Limited Company
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Registered Office: 30 rue Royale, 1000 Brussels
Trade Register Number: Brussels 17,487

The Management is pleased to invite shareholders to attend in the company's reception rooms at 30 rue Royale, Brussels, on Tuesday, *November 25, 1986 at 11.30 am the Annual General Meeting, in accordance* with Article 32 of the Memorandum and Articles of Association, to vote on the following agenda:

AGENDA

Appointments to be made in accordance with the company's statutes. In order to attend this Annual General Meeting, shareholders must, in accordance with Article 28 paragraph 2 of the Memorandum and Articles of Association, deposit their shares by Tuesday, November 18, 1986 at the latest, either with the company or with any of the following banks:
— In Belgium: Generale Bank
— In France: Générale de Banque Belge (France)
— In Luxembourg: Banque Générale du Luxembourg
— In the UK: Banque Belge Ltd
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Brussels, November 4, 1986

R. LAMY, Governor
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FT LAW REPORT

Damages payable for devaluation loss

LIPS MARITIME CORPORATION v PRESIDENT OF INDIA
Court of Appeal (Lord Justice Neill, Lord Justice Nicholls and Sir Roualeyn Cumming-Bruce): October 31 1986

DAMAGES CAN be claimed for loss caused by late payment under a contract if owing to special circumstances known to the contracting parties it must have been within their contemplation that delay would result in loss, irrespective of whether the special knowledge was exclusive to them.

The Court of Appeal so held when allowing an appeal by shipowners, Lips Maritime Corporation, from Mr Justice Staughton's decision that they could not recover damages for an exchange rate loss suffered by them because of late payment of demurrage by the charterer, the President of India.

LORD JUSTICE NEILL said that on July 1 1980 the President of India chartered the Lips to carry a cargo of diammonium phosphate from Mississippi ports to India.

The charterparty provided that demurrage was to be calculated in US dollars. By clause 30 it was provided that demurrage should be paid in British external sterling at the mean exchange rate ruling on the date of the bill of lading.

Discharge of the cargo was completed on October 11 after some considerable delay. The parties were unable to agree as to the period for which demurrage was payable and the dispute was referred to arbitration.

The umpire awarded demurrage at the rate of $6,000 a day for four days and one hour. The calculation resulted in a figure of $24,250 which the umpire converted into sterling at the exchange rate prevailing at the date of his award ($1.54 to the pound).

He also awarded damages for the charterer's breach in not making payment at the proper time. The damages were based on the difference between the exchange rate on the bill of lading ($2.37 to the pound) and the rate at date of award.

The charterer sought leave to appeal. It sought an order that the award be varied to adopt a conversion rate of $2.37 to the pound and to state that it was not liable by way of damages or otherwise for the difference between that exchange rate and the rate prevailing at the time of the award.

Leave to appeal was granted. The appeal came before Mr Justice Lloyd. He referred to the common law rule that a creditor could not in the absence of some express or implied agreement, recover damages for late payment of a debt — *London, Chatham and Dover Railway [1893] AC 429.* But the rule, he said, was not without exception. It forbade the recovery of general damages for late payment of a debt, but not special damages.

"The difference between general damages and special damages in this connection," said Mr Justice Lloyd, "is the difference between damages recoverable under the first part of the rule in *Hadley v Baxendale [1854] 9 Exch 341* i.e. damages foreseeable as flowing naturally and probably from the breach of contract in the ordinary course of events; and damages recoverable under the second branch of that rule, i.e. damages foreseeable in the particular circumstances of the case because of special matters known to both parties at the time of making the contract."

Mr Justice Lloyd suspected that the arbitrator regarded the case as coming within the first branch of the rule. If so, he said, the conclusion was wrong in law. But if the arbitrator thought the case could be brought within the second branch of the rule in *Hadley v Baxendale* his conclusion was correct.

He remitted the award to the umpire for reconsideration.

On November 23, 1984 the umpire published his further award. He said that at all material times the general expectation among businessmen was that the value of sterling would gradually decline as against the dollar. He had no doubt that the charterer had that in mind when it designed clause 30, and the fact that it insisted on the clause being included must have concentrated the mind of the owner on the question of sterling exchange rates.

Also, the vessel was Greek-owned. The charterer should have known that it was the almost universal practice of Greek owners to operate in dollars, and that if a sterling sum were paid late, owners were likely to sustain an exchange loss.

Accordingly, the umpire found, the loss by devaluation of sterling was something which was reasonably foreseeable by, or within the actual or assumed contemplation of the parties, and the case therefore came within the second rule in *Hadley v Baxendale.*

The case returned to the Commercial Court. It came before Mr Justice Staughton.

He held that the umpire's conclusion that the case came within the second part of the rule in *Hadley v Baxendale* could not stand. He allowed the appeal and varied the award, substituting the sterling equivalent of $24,250 at the exchange rate of $2.37 to the pound instead of $1.54. The owner now appealed.

The charterer argued that clause 30 of the charterparty provided that demurrage should be made in sterling at a fixed rate of exchange and that the owner was entitled to recover at that rate and no other.

Clause 30 determined what the rate of exchange was to be if the contract was performed; it did not apply where the paying party was in breach. Accordingly, if damages for late payment were otherwise recoverable, a claim for damages was not barred by clause 30.

The issue *inter alia* was whether Mr Justice Staughton erred by holding that the further award was incapable of coming within the second part of *Hadley v Baxendale.*

In principle it was difficult to see why, in an appropriate case, damages should not be recoverable for late payment in the same way as damages were recoverable for the late delivery of a chattel.

In *President of India v La Pintada [1984] 3 WLR 10* Lord Brandon said that the ratio in *Wadsworth [1981] 1 WLR 598,* that *London, Chatham and Dover Railway* applied only to claims for interest by way of general damages and did not extend to special damages, was correct. He said the effect would be to reduce considerably the scope of *London, Chatham and Dover Railway.*

The present law as to the recovery of damages at common law for a breach of contract which consisted of the late payment of money was:

(i) A payee could not recover damages by way of interest merely because the money had been paid late.

The basis for that principle appeared to be that the court declined to impute to the parties the knowledge that in the ordinary course of things late payment would result in loss.

(ii) To recover damages for late payment it was necessary for the payee to establish facts which brought the case within the second part of the rule in *Hadley v Baxendale.*

(iii) It was important to keep in mind that the question in each case was to determine what loss was reasonably within the contemplation of the parties when the contract was made. The principle in *London, Chatham and Dover Railway,* in its modern and restricted form, went no further than to bar the recovery of claims for interest by way of general damages. A plaintiff would be able to recover damages in respect of a special loss if it was proved that the parties had knowledge of facts or circumstances from which it was reasonable to infer that delay in payment would lead to that loss.

Provided that knowledge of the facts and circumstances from which such inference could be drawn could be proved, it was unnecessary further to prove that the facts or circumstances were unusual.

The umpire based his finding *that loss by devaluation* was within the parties' contempla*tion on the fact that they should* know it was the general expecta*tion among businessmen that* sterling would decline; that clause 30 was designed to protect the charterer against devaluation of sterling; and that it was the almost universal practice of Greek shipowners to operate their business in dollars so that if a sterling sum were paid late the owner was likely to suffer an exchange loss.

Mr Justice Staughton concluded that none of those facts constituted a special fact which would not have been apparent to any other businessman in the same trade.

In *reaching that conclusion* he took too narrow a view of the limitations now imposed on the rule in *London, Chatham and Dover Railway.*

The question in each case was to determine what loss was reasonably within the contemplation of the parties when the contract was made.

For that purpose the court was entitled to take account of the terms of the contract and the surrounding circumstances, and to draw inferences. In drawing inferences as to the parties' actual or imputed knowledge it was not obliged to ignore facts or circumstances of which other people doing similar business might have been aware.

In view of the continued existence of the rule in *London, Chatham and Dover Railway* the court could not assume in favour of a plaintiff that the parties contemplated late payment of money would result in loss; but where proved facts led to the inference that the parties would have reasonably contemplated special loss, the loss could be properly recovered.

Accordingly, the exchange loss suffered by the owner by reason of late payment of demurrage was recoverable as damage falling within the second part of the rule in *Hadley v Baxendale.* The appeal should be allowed.

Lord Justice Nicholls and Sir Roualeyn Cumming - Bruce agreed.

For the owners: Steven Gee (Richards Butler).

For the charterer: Roger Buckley QC and Angus Glennie (Zaiwalla and Co).

By Rachel Davies
Barrister

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
¶170	F.P.	—	207	186	BakerHarrisSaund's10p	207	......	R4.0	2.7	2.7	19.3
§38	F.P.	—	42	39	‡B.C.E. Hldgs 5p	40	......	Rd1.0	9.0	3.5	13.3
§115	F.P.	—	122	120	‡Berry, Birch 10p	121	......	R2.5	2.2	4.9	13.0
§95	F.P.	—	145	117	‡Blenheim Exhibits 5p	130	......	u2.1	3.2	2.3	17.8
§100	F.P.	—	109	100	‡Citygrove 10p	102	+1	R2.5	2.7	3.5	14.8
§105	F.P.	16/10	112	100	‡Eve Construction	106	......	u4.5	3.2	6.0	7.5
§135	F.P.	24/10	166	145	‡Great Southern 10p	163	+1	R5.2	2.2	4.5	14.0
	F.P.	—	28	27	Group Development	28	......	—	—	—	—
185	F.P.	7/11	208	188	‡Interlink Express 5p	205	+1	R3.5	3.2	2.4	18.6
§135	F.P.	24/10	255	145	‡Local London Group 5p	255	+5	W5.0	1.8	2.8	28.7
110	F.P.	5/11	141	119	Marlbor'gh Tech Man 5p	135	−1	R2.70	3.1	2.8	13.6
135	F.P.	—	154	143	Mecca Leisure 10p	154	......	R4.1	2.2	3.8	16.8
§105	F.P.	24/10	172	133	‡Miller & Santhouse 5p	172	......	u2.25	2.4	1.8	32.1
—	F.P.	—	35	27	New Australia Inv Wrrts	35	......	—	—	—	—
§175	F.P.	24/10	79	72	‡Newage Trans 5p	72	......	R3.5	2.5	6.9	8.2
§90	F.P.	24/10	99	88	‡Radamec Group 5p	93	+3	R1.28	5.7	1.9	12.8
§95	F.P.	—	97	89	‡Rotunda 10p	89	......	R30.3	2.8	4.7	10.7
¶110	F.P.	24/10	108	101	‡Ryman 5p	102	+1	L1.5	3.2	2.1	17.1
100	50	14/11	102	80	TSB	82	−½	W4.26	3.1	4.6	10.1
—	F.P.	—	52	52	Trinova $5	52	......	1.5c	—	2.0	—
§160	F.P.	5/12	179	163	‡Whinney Mackay 10p	165	+1	R4.0	3.0	3.4	13.6
104	F.P.	—	85	80	‡Woolions Bat'ware 10p	85	......	dR3.7	1.5	6.1	15.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	—	170pm	140pm	Bristol Oil & Min 3% Cnv 2nd Mt Deb 1989	150pm	......
‖	F.P.	13/11	113	100½	Comtech Finance 11½% Cnv. Uns. Ln. 1996	113	......
§100	£10	8/1	12½	10½	East Worcs. Water 12½% Red Deb 94-96	10½	−1¼
§100	£10	29/1	10¾	8⅝	Essex Water 11¾% Red. Deb. 2002-04	8⅝	−1¼
¶101.41	£10	26/2	11¼	8	do 8⅞% Red. Pf 1993	8	−3½
§100	F.P.	—	106	106	Fed. Housing 9½% Cum. Red. Prf	106	......
‖	F.P.	14/11	125p	106p	‡Goodhead Print 7% Cnv. Red. Prf	125p	+14
‖	Nil	—	9pm	1½pm	Hartons 7% Cnv. Cum. Red. Prf	1½pm	−½
§100	£10	15/3	9½	2	Mid-Sussex Water 11% Red Deb2012-16	3	−1
—	F.P.	—	100⅞	100	Nationwide11¾% 26/10/87	100⅞	+¼
¶101.87	£10	22/1	11¼	9½	Portsmouth Wtr. 8¾% Red. Pf 1996	9½	−2
96.645	£25	8/1	24¼	17	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	19	+½
¶102.25	£10	8/1	11¼	9½	Tendring Hundred Wtr 8¾% Rd. Pf 1996	9½	−2

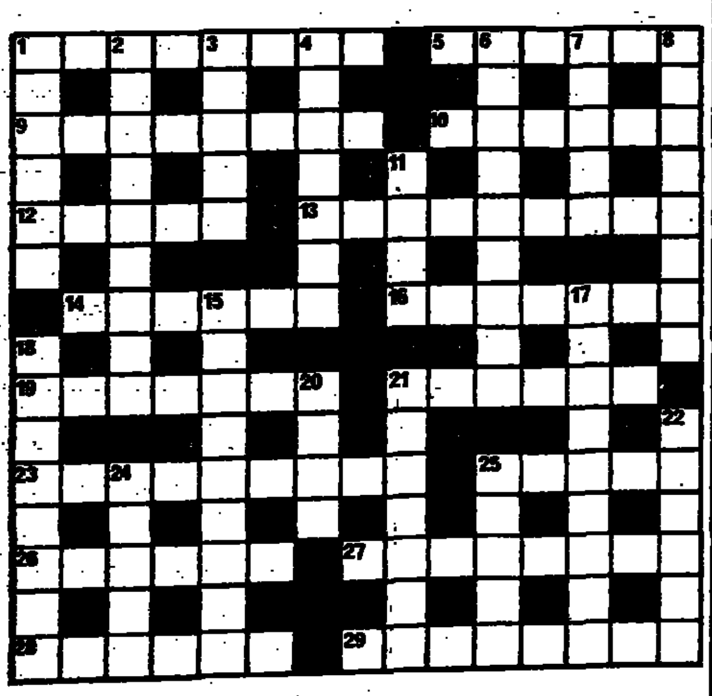
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
137	Nil	—	18pm	8pm	Bellway	8pm	−3
330	Nil	—	60pm	46pm	Blue Arrow	60pm	+3
86	Nil	—	6pm	6pm	Brown Boveri	6pm	......
90	Nil	12/12	21pm	7pm	Bryant Hldgs.	21pm	+2
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	......
285	Nil	15pm	15pm	3pm	FR Group	7pm	+3
30	Nil	25/11	9pm	1pm	Norfolk Cap 5p.	1½pm	+½
160	Nil	10/12	58pm	32pm	Parrish (J.T.) 5p	58pm	......
100	Nil	—	50pm	15pm	Ratcliffe (F.S.) Inds.	15pm	......
720	Nil	—	16pm	2pm	Siebe	2pm	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures † Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▌ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No. 6,168

ORIGAMI



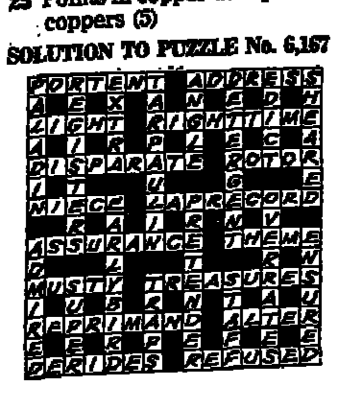
ACROSS

1 No status about a European coin (8)
5 Novel link with royalty and the Spanish currency (6)
9 Newspaper leader in Church Times provides little cash (8)
10 Just give change of 50p coin, there's no strings (4, 2)
12 Point wall-covering the wrong way, it's for the best (5)
13 No place for secondhand goods of course (9)
14 Poodle about the home counties with a little money (6)
16 Mine holds as engineers look for cash (7)
19 She embraces one in car till pressing engagement (7)
21 I object after article on shilling topics (6)
23 Not lightly sketched in red (9)
25 Help required after lesson in currency (5)
26 Counts money (6)
27 A right softy, she's in hospital and feeds the baby (3, 5)
28 Asserts without a change in accent (6)
29 Rose needed a hundred and finished as before (8)

DOWN

1 Steal the Spanish coin (6)
2 Impecunious Quaker lies about direction (9)
3 Italian currency holding no value in France (5)
4 Sea, one with a group of islands (7)
6 A peculiar flaw in fish with one eye open (4, 5)
7 Poke about with a ruler to find money (5)
8 Male tourer and bird spin out (8)
11 Put feet up for a change (4)
15 Vile sort, does right in a way, for sinners (4-5)
17 Valued Island coin (9)
18 Reports of a century to Lords (8)
20 Actual money (4)
21 Hide workers cash (7)
22 Stones, well stewed with port (6)
24 Queen holds decoration for firebrand (5)
25 Points in copper with point in coppers (5)

SOLUTION TO PUZZLE No. 6,167



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth

[illegible]

AUTHORISED UNIT TRUST & INSURANCES

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dat Gilt Fd	66.2	69.3		—
U.S. Govmt Bond Fd	0.515	0.518xd	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	48.3	51.4	+0.5	7.63
Growth Trust	53.2	56.6	+0.7	2.18
Income Trust	54.8	58.3	+0.6	4.96

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.0	73.0	—	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	131.3	139.7	+0.7	3.07

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Oct 8		102.8	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	199.7	210.3		—
Equity Ser. 1	103.4	108.9	+1.0	—
Prop. Acc. Ser 2	278.8	293.5		—
Equity Ser 2	112.3	118.3	+1.0	—
Selective Acc	237.5	250.0	+1.3	—
Prop. Ser. 4	220.7	232.4		—
Equity Ser. 4	114.8	120.9	+0.9	—
Fixed Int. Ser. 4	174.9	184.2	+1.9	—
Indexed Inv. Ser. 4	108.7	114.4	+0.5	—
American Ser. 4	262.0	275.8	-2.2	—
High Inc. Ser. 4	287.5	302.7	+0.4	—
Japan Ser 4	224.9	236.8	-1.5	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2NU Tel: 0908 690888

Current Series				
Property Fund	118.0	124.3		—
Money Fund	225.0	236.9	+0.1	—
Managed Fund	403.9	425.2	+1.9	—
Equity Fund	251.2	264.4	-0.2	—
Fixed Interest Fund	138.7	146.0	+2.4	—
Far East Fund	207.2	218.2	-2.8	—
North American Fund	177.3	186.9	+0.2	—
Natural Resources Fund	145.7	153.4	+2.8	—
Pension Managed Fund	376.8	396.7	-0.6	—
Pension Equity Fund	251.0	264.3	-1.0	—
Adventurous Mngd Fd	122.5	129.0	+0.8	—
Balanced Mngd Fd	120.0	126.4	+0.7	—
Conservative Mngd Fd	113.8	119.8	+0.6	—
European Fund	108.2	113.9	+0.3	—
International Fund	117.2	123.4	+0.4	—
S.U.N. Flagship Fd	125.6	132.3	+0.3	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	233.8	240.9	+0.2	—
Equity	151.0	159.0	+1.3	—
Property	110.5	116.4	+0.8	—
Gilt & Fixed Interest	108.0	113.7	+0.8	—
Indexed Securities	97.9	103.1	+0.1	—
Cash	108.3	114.0		—
North American	113.8	119.8	-0.4	—
Far East	124.3	130.9	-2.3	—
International	127.6	134.4	-0.5	—
Special Situations	144.8	152.5	-0.7	—
International Income	144.0	151.6	+0.3	—
American Income	124.2	130.8	-0.7	—
European	149.5	157.4	-0.5	—
Flexible Retirement Plan				
Mixed	137.3	14.6	-0.1	—
Equity	145.0	152.7	+1.1	—
Property	115.5	121.6	+0.1	—
Gilt & Fixed Interest	114.0	120.0	+0.9	—
Indexed Linked	99.3	104.6	+0.2	—
Cash	116.5	122.7	+0.1	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241
Demand Acc ... 10.44 7.80 11.32 Qr
Money Acc. ... 10.53 7.87 11.43 Qr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733
Special Acc ... 9.25 6.91 10.04 Mth
Over £10,000 ... 9.50 7.10 10.34 Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 224141
High Int Chq Acc. ... 10.83 8.08 11.73 Qr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485
High Int Cheque Acc ... 11.0 8.22 11.94 Qr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk.	48
BAT	35	P & O Dfd.	45
BOC Grp.	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect.	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons.	24	Turner Newall	18
Comm Union	28	Unilever	148
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Secs.	38
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brit. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd.	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk.	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Platinum workers strike at S African refinery

BY JIM JONES IN JOHANNESBURG

THE DISPUTE between Matthey Rustenburg Refiners (MRR) and the Chemical Workers' Industrial Union (CWIU) flared into industrial action yesterday as half of the workforce at MRR's Wadeville plant near Johannesburg staged a one-day strike. Mr Jack Forbes, MRR's managing director, said that production was not affected by yesterday's work stoppage, but could not quantify the effects of a longer strike.

The dispute stems from the company's plans to close its platinum refineries at Wadeville and at Royston, north of London. The company is to build a new refinery in the black South African homeland of Bophuthatswana, near Rustenburg Platinum Holdings' platinum mines, by 1988.

MRR has said that no Wadeville employees will lose their jobs and that all of the company's 400 employees will be offered employment in Bophuthatswana and accommodation near the new refinery. Union members, however, are not happy with the move as they believe that wages in Bophuthatswana are about half the South African level while, in addition, Bophuthatswana severely restricts union activity inside its territory. Black union members are also reluctant to move to an essentially rural area which is known for the extreme conservatism of its white population and where apartheid laws are applied far more strictly than in the Greater Johannesburg Metropolitan Area.

Yesterday Mr Forbes said that the new refinery was based on processes which were much safer for employees' health than those used at Wadeville. CWIU members have agreed to return to work this morning.

Meanwhile more than 3,000 black miners went on strike at President Steyn Gold Mining Company, owned by Anglo American Corporation, to protest against the dismissal of an official of the National Union of Mineworkers, South Africa's largest black trade union with 250,000 members, reports AP-Dow Jones.

An Anglo American official confirmed that the strikers were demanding the reinstatement of an "acting shaft steward" dismissed in November 1985. "The matter was resolved through the normal channels at the time and we find it strange that it is being raised again," he said.

● Work at the Zinc Corporation of South Africa, Zincor, stopped on Sunday night when 550 black workers failed to report for their shift, a company official said, reports Reuter.

The strike, which continued yesterday, follows a deadlock over wage negotiations between the zinc refinery and the NUM, he said.

The official said a strike ballot was held on Friday but management had not yet been informed of its outcome.

The refinery, which employs some 615 workers, is an affiliate of Gold Fields of South Africa, which was last week hit by three-day strikes at three of its gold mines.

US-EEC trade tension mounts over maize import problems

BY JOHN BUCKLEY

FRESH TENSION is building between the US and the EEC over the way the Community is operating its levy system to block imports of US maize under preferential quota, according to grain traders.

In July, a full-scale trade war loomed over the loss of US maize trade to Spain. In what was generally regarded as a holding operation the Community agreed to a preferential quota of 1.4m tonnes of Third Country maize, sorghum (a maize substitute) and non-grain feed ingredients, which would be shipped into Spain at a lower rate of duty during the July to December period. If monthly Spanish imports fell below 234,000 tonnes the shortfall would be imported by the EEC 10 (excluding Portugal) between January and March 1987. And while preferential imports would not be confined to US sources they were still expected to supply the bulk as the only major source of maize and sorghum prior to the Argentine harvest.

But problems have arisen on several fronts for quota sales which began late in October. First there is the question of "additionality," which centres on whether the lower-levied 1.4m tonnes represents part of traditional US business or an extra concession to stimulate increased EEC use of maize in the feed sector.

In the five years prior to accession Spain was one of the US's best customers for maize, taking an average of 3.5m tonnes a year. US sources say they understood that the 1.4m tonnes would be additional to normal sales to the EEC-10 paying the full variable levy (which last week was running at about 169 Ecu per tonne—more than double the US fob shipping price of some £48.75 per tonne). But Commission officials have so far refused to confirm this implying that the 1.4m tonnes must be counted against what would have been sold to the EEC-10 prior to Spain's accession.

But the US is even more annoyed at the tactics apparently being employed by the Commission to prevent even the entry of that 1.4m tonnes.

Each week traders bid competitively for a reduced rate of levy through their intervention agencies. Some optimists sought bids of 100 Ecu at the first tender two weeks ago. Others have bid for the past fortnight at up to 164 Ecu, but even these have been refused.

Why the Commission should be "stonewalling" the maize trade is open to various interpretation, including the possibility that levies may rise because of pending buying by North European starch producers or that cheap Argentine maize in bond will be moved on to the European market soon, requiring a higher levy.

But the fact remains that US shippers who, in order to have any hope at all of competing, need at least 15/20 Ecu off the base levy. "25 Ecu is where it starts to get worthwhile for the European user," said one expert who added, "The fact that the Commission rejected every bid has encouraged the US to interpret a more sinister motive, for example, that the Commission might be passively sabotaging the quota agreement.

"If few or no bids are accepted at the next levy tenders on November 4 and 11, then the chances will have been severely reduced that US maize will be able to fill all the quota available for July/December 1986," said the expert who noted that—because of the late start to tenders—the quota sales period has been extended to the end of February 1987. "After that Argentine new crop maize will begin to compete against us in March/April," he added.

Should this happen, the fragile truce obtained last July will be in tatters and the US could be expected to activate its own retaliatory "hit list" of European farm products for punitive import tariffs.

But what really worries some US observers is that such a breakdown would be welcomed by EEC hawks anxious to revive draconian plans to curb imports of US soyameal and maize gluten feed.

US futures rules 'may be too tough'

THE US Justice Department has urged the Commodity Futures Trading Commission (CFTC) to re-examine federal regulations governing the futures trade, which it feels may be too burdensome, reports Reuter from Washington.

Existing domestic regulations "may impose greater burdens on the exchanges than can be justified by the need for customer protection," the Department said.

Commenting on a CFTC proposal for these regulations to apply to trading in foreign futures contracts it said "the Department urges the Commission to re-examine the rules and regulations applicable to domestic futures transactions rather than to change the rules applicable to foreign transactions."

The Justice Department said the Commission's application "appears to be based on the questionable assumption that the regulatory scheme is optimal."

The officials responsible for the comments said later, however, that they had no evidence that the current regulations might be "onerous." But they said the Commission should consider the option of relaxing existing rules as one way of achieving a "level playing field" for the regulation of both domestic and foreign futures transactions.

The cost of pensioning off farmland

FARMER'S VIEWPOINT

By John Cherrington

HAVING ABANDONED the unequal struggle to persuade his Continental counterparts to make effective use of the price restraint weapon in the battle against farm surpluses Mr Michael Jopling, the British Minister of Agriculture, has recently espoused the idea of paying farmers to take land out of production.

When he put his plan to his colleagues on the EEC Farm Council, of which he is the current President, it got a polite, rather than enthusiastic, reception. It is, nevertheless, worth examining the implications of such a "set-aside" scheme.

The central problem would be the cost of compensating farmers for their co-operation in what, under Mr Jopling's plan, would be a voluntary scheme.

Cereals make up only one segment but in Britain alone the surplus is equivalent to about 5m tonnes, or about 20 per cent of total output. And crushing subsidies paid to make the production of oilseed rape economically viable cost the Community at least as much per acre as cereals. There is little doubt that EEC oilseeds output will have to come under restriction before long.

It seems obvious that in order to bring cereal output into line with market demand a total of at least 15 per cent of productive resources will have to be made redundant. How does one establish the cost of this either to remove it entirely from farming, or to change it to some other use?

An indication of what the compensation could cost is provided by the case of the Featherly Wood near Canterbury. Mr Peter Bell, a farmer, bought a wood of 88 acres for £24,000 with the intention of clearing 50 acres to make into pasture for sheep. He secured Ministry of Agriculture backing and a grant of £8,000 towards this work, only to be checked by the Canterbury Council with a tree preservation order. In the end Mr Bell appealed to the Land Tribunal which awarded him £46,500 as compensation for not turning his purchase of woodland into farmland.

This suggests that the principle of full and fair compensation is set at a level commensurate with the value of land for its optimum agricultural use. Until now there has only been a limited expenditure, but should the principle of full compensation be followed the bill for taking say up to 2m acres out of farming could be enormous.

It would of course be incumbent on farmers themselves to find alternative uses for their land. There are certainly some of these. Forestry is always mentioned; but if you decide to plant some of your redundant fields you immediately face the certainty of a drop in the land value from say £1,000 an acre to about £300. Even with present tax earnings and planting grants forestry is probably not viable.

Then of course there is leisure. This is something that many people talk about without being very clear about what they mean. There is probably a good demand for golf courses and playing fields, but only near centres of population. What is going to happen to the land in rural areas? Part of the joy of the British rural scene is the spectacle of a well ordered countryside but the farmer, or whoever will manage it, will need some financial inducement to keep redundant farming land from becoming a weed infested wilderness.

There is undoubtedly scope for encouraging some industry in rural areas, if only to occupy those who will have to leave farming. But new roads of many kinds are being made and attempts to introduce light industry which have to be fought through the planning committees with enormous determination. Plenty of people would like to buy an acre or two in the country on which to build, but are denied this chance by the existence of a county plan which restricts development.

The scale of the problem could become bigger still. Apart from cereals and oil seeds, milk output is costing the Community still more money with beef and sheepmeat catching up fast. So far no one seems to have the least idea what to do. Bearing in mind the political costs as well as the financial ones of trying to match supply with demand I don't blame them for keeping their heads down.

Like many facing bankruptcy they are following the example of Mr Micawber who in a similar situation was prepared to soldier on "waiting for something to turn up"—which in this context could mean drought or some other natural disaster in the Community or elsewhere.

Noranda zinc dispute settled

NORANDA HAS reached a contract settlement with workers at its Valleyfield, Quebec, zinc plant, ending a five-month-old strike, Mr George German, a company official announced yesterday, reports Reuter from Toronto.

Mr German said workers, members of United Steelworkers of America, began returning to work yesterday after voting 356 to 198 in favour of ending the strike at a ratification meeting held at the weekend.

He declined to disclose details of the contract settlement, saying a new release on the pact would be issued later.

The new contract has a three-year term, effective from November 1.

Mr German said it would take about a week to resume operations at the plant and "production will start off at somewhat reduced levels for the balance of the year."

In 1985, the Valleyfield plant had production of 217,400 tonnes of zinc metal, he said.

● Management and unions at Australia's troubled lead, zinc and silver mines in Broken Hill were yesterday unable to resolve their deep differences over safety codes and work practices, and have turned once again to the New South Wales Industrial Commission for help, writes Chris Sherwell in Sydney.

The joint approach to the Commission means a further wait before the two main companies, CRA and North Broken Hill, can implement more efficient operating methods at the mines. They suspect the powerful unions are engaging in deliberate delaying tactics.

The latest developments followed mass meetings of the three unions — representing miners, drivers and tradesmen — over the weekend. Although the unions agreed in principle to a technical committee's report on safety aspects of changes sought by the companies concerning use of explosives, they insisted that the changes now be approved by a ventilation board.

The companies complain that these and other elements of the committee's recommendations can be implemented immediately. They are also worried that the unions have yet to face the core issue of inefficient work practices.

The dispute has already led to a damaging eight week strike earlier this year. A three-month interim agreement, reached under the auspices of the Industrial Commission, brought a resumption of work, and this was temporarily extended when it expired last month.

Under the terms of the extension, the mines will now continue to operate with a week's notice on both sides while the issues once again come before the commission. Management and unions want the commission to hear the case urgently, but its view is likely to take several days to emerge.

At stake is the very future of the Broken Hill mines, which show a productivity of little more than half that of similar mines in Australia and elsewhere. The companies say they cannot justify further mining without major changes.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday)

		(tonnes)
Aluminium	−2,950 to	122,775
Copper	+2,675 to	173,300
Lead	−2,625 to	31,100
Nickel	−264 to	7,908
Tin	−270 to	43,295
Zinc	−2,450 to	19,075
		(ounces)
Silver	unchanged at	25,148,000

LONDON MARKETS

NEWS THAT the five-month strike at Noranda's zinc refinery at Valleyfield, Quebec, had ended brought a sharp fall in zinc prices on the London Metal Exchange yesterday. The cash price ended the day £26 down at £604.50 a tonne. Dealers said long liquidation and fresh speculative selling was in evidence but support would be expected at about the £590 level if the decline continued, they added. The market was under pressure from earlier in the day in response to rumours of the Noranda settlement, which was not confirmed until the afternoon. But prices had steadied on news of another substantial cut in LME warehouse stocks of the metal last week. The upward trend on the coffee futures market, which was interrupted by a modest fall on Friday, was re-established yesterday when the January position gained £45.50 to £2,323 a tonne.

LME Prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	800.5-1	−6.75	799/798.5
3 months	815.5-6	−4.75	816/813

Official closing (am): Cash 798.5-9.5 (806-8.5), three months 813-4 (821-1.5), settlement 799.5 (808.5). Final Kerb close: 815.5-816. Turnover: 14,775 tonnes.

COPPER

Grade A	Unoffic'l close	+ or −	High/Low
Cash	918.5-20.5	−1.5	920/917.5
3 months	943.5-4	−2.5	946/940.5

Official closing (am): Cash 917.5-8 (924.5-25), three months 940.5-1 (948.5-9), settlement 918 (925). Final Kerb close: 945.5-6.

Standard			
Cash	902.5-3	+1.75	900/900
3 months	925.5-6.5	—	520/519

Official closing (am): Cash 899-900 (904-4.5), three months 924-4.5 (929-31), settlement 900 (904.5). US Producer prices 62.5-66 cents per pound. Total turnover: 10,675 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	327-8	—	326/325
3 months	319-20	−1.75	320/310

Official closing (am): Cash 326-7 (328-9), three months 319-9.5 (323-4), settlement 327 (329). Final Kerb close: 317-318. Turnover: 7,700 tonnes. US Spot: 26-28 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2575-85	—	
3 months	2620-30	−2.5	2620/2615

Official closing (am): Cash 2,57 -5 (2,580-5), three months 2,615-6 (2,610-5), settlement 2,575 (2,585). Final Kerb close: 2,620-2,625. Turnover: 198 tonnes.

TIN

KUALA LUMPUR TIN MARKET—Close: 15.90 (same) ringgit per kg. Unchanged.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	604-5	−26	618.5/602
3 months	591-2	−16	602/590

Official closing (am): Cash 618.5-9.5 (638-8.5), three months 597-8 (611-2), settlement 619.5 (638.5). Final Kerb close: 573-594. Turnover: 15,350 tonnes. US Prime Western: 44-50.75 cents a pound.

GOLD

Gold rose $6⅞ to $405½-406 on the London bullion market yesterday. It opened at $400¾-401¼, and was fixed at $400.30 in the morning and $406.20 in the afternoon. The metal touched a peak of $405¾-407¼ and a low of $399½-400. News that 3,700 workers at a South African mine of the Anglo American Corporation had not turned up to work encouraged buying in New York.

GOLD BULLION (fine ounce) Nov. 3		
Close	$405½-406	(£287¼-287¾)
Opening	$400¾-401¼	(£283-283½)
M'n'g fix	$400.30	(£282.898)
Aft'n'n fix	$406.20	(£287.373)

GOLD AND PLATINUM COINS		
Am Eagle	$421-426	(£298¼-302)
Mapleleaf	$415½-420	(£294½-297½)
Kr'g'r'nd	$400-403	(£283½-285)
½ Krug	$206½-207½	(£146¼-147)
¼ Krug	$104-105	(£73¾-74½)
Angel	$412-416	(£292-294)
1/10 Angel	$208-216	(£147½-153)
New Sov.	$94-95	(£66¾-67¼)
Old Sov.	$96½-98	(£68¼-69½)
$20 Eagle	$480-530	(£340¼-375¾)
Noble Plat	$587-597	(£416-423)

SILVER

Silver was fixed 3.1p an ounce lower for spot delivery in the London bullion market yesterday at 397.65p. US cent equivalents of the fixing levels were spot 562.5c, up 1.85c; three-month 570.65c, up 2.3c; six-month 578.85c, up 2.2c; and 12-month 596.45c, up 3.85c. The metal opened at 396½-398p (561½-563½c) and closed at 405-406½p (572-574c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	397.65p	−3.10	408.75p	+5.25
3 months	408.35p	−2.85	414.25p	+4.75
6 months	418.55p	−3.70	—	
12 months	440.50p	−2.85	—	

LME—Turnover: 15 (2) lots of 10,000 ounces.

Cash high 403p, low 400p; three months high 414p, low 413p.

SOYABEAN MEAL

Option liquidating because of declaration day was the main reason for the spot weakness. This prompted lower prices throughout the session with only light commercial buying supporting values at the lows, reports Muirpace.

	Y'sterd'ys close	+ or −	Business done
	£ per tonne		
Dec.	134.0-134.4	−0.80	135.0-134.0
Feb.	135.5-135.5	−0.70	—
April	137.0-137.1	−0.85	137.5-136.8
June	134.4-134.6	−0.65	135.0-134.6
August	135.0-134.8	−0.55	135.5
October	134.0-136.0	−1.50	—
Dec	135.0-137.5	—	—

Sales: 195 (375) lots of 20 tonnes.

INDICES

REUTERS

Oct. 31	Oct. 30	M'th ago	Year ago
1699.5	1694.4	1567.0	1718.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 31	Oct 30	M'th ago	Year ago
Spot	120.67	120.84	—	116.51
Fut	120.25	120.97	—	122.52

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	Nov. 3 1986	+ or −	Month ago
Aluminium			
Free Market	$1210/250	−10	$1255/275
Copper			
Cash Grade A	£920	−1.5	£923
3 mths	£943.75	−2.5	£944.75
Gold Troy oz	$405.75	+1.25	$438
Lead Cash	£327.5		£279.25
3 mths	£319.5	−1.75	£281.75
Nickel			
Free Mkt	164/184c	+1	187/187c
Palladium oz	$129.75	−0.25	$144.00
Platinum oz	$572.25	+1.25	$610.00
Quicksilver†	$160/165		$140/160
Silver troy oz	397.65p	−3.15	398.75p
3 mths	408.35p	−2.85	409.35p
Tin			
free mkt	£4358/899	−10	£3828/50
Tungsten	$51.25		$50.08
Wolfram 22.01lb	$32/42		$34/44
Zinc	£604.5	−26	£629.5
3 mths	£591.5	−16	£619.5
producers	$920		$920
OILS			
Coconut (Phil)	$360y		$295
Palm Malayan	$330v		$247.5
Copra (Phil)	$260y		$185
Soyabean (U.S.)	$170	+2	$152
GRAINS			
Barley Fut. Jan.	£115.60	+0.65	£110.10
Maize	£143.00	−1.25	£148.50
Wheat Fut. Jan.	£112.00	+0.45	£108.75
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1518.5		£1566.5
Coffee Ft. Jan.	£2323	+45.5	£2257.5
Cotton A Ind.*	50.95c	−0.55	51.15c
Gas Oil Dec.	$124	−1.5	$124
Rubber (kilo)	67.5p		66p
Sugar (raw)	$145y	+1.5	$121.5
Wooltops 64s	419p kilo	+1	399p kilo

‡ Unquoted. † Per 75 lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. w Oct-Nov. v Dec. x Jan-Feb. z Dec-Jan.

COFFEE

During a quiet morning robusta prices moved in a narrow range above the previous close, reports Drexel Burnham Lambert. In the afternoon the market rallied in sympathy with a stronger New York market despite a large quantity of November tenders.

COFFEE	Yesterday close	+ or −	Business Done
Nov	2320-2325	+48.5	2325-2280
Jan	2321-2325	+45.5	2335-2265
Mar	2200-2205	+37.5	2215-2161
May	2220-2225	+35.0	2225-2185
July	2230-2245	+32.5	2225-2205
Sept	2220-2240	+18.0	—
Nov	2210-2240	+10.0	—

Sales: 3,856 (3,397) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 31: Comp. daily 1979 158.61 (157.20): 15-day average 159.81 (159.91).

COCOA

In light volume futures traded in a narrow range to close unchanged on the day. Producers were again absent, but light consumer interest was apparent, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
Dec	1485-1487	−3.0	1491-1485
March	1518-1519		1522-1511
May	1539-1541	−1.5	1542-1535
July	1562-1565	−1.5	1567-1560
Sept	1586-1588	−0.5	1588-1585
Dec	1615-1616	−4.0	1617-1612
March	1643-1645	−4.5	1646-1642

Sales: 2,095 (3,568) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 3: 91.01 (90.75); five-day average for November 4: 92.11 (92.53).

POTATOES

April opened £2.30 higher in news of Dutch exports figures and steady UK physical quotes. There was keen selling at the £168 mark but poor volume and lack of fresh news on lifting figures and the crop yields resulted in a narrow trading range, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	111.00	109.50	111.00-110.00
Feb	122.00	118.50	—
Apr	165.90	162.70	166.20-164.20
May	184.50	180.00	185.50-182.50
Nov	85.00	85.00	—

Sales: 577 (324) lots of 40 tonnes.

GRAINS

Old crop wheat found aggressive shipper buying, reflecting export potential and lack of country selling. Barley firmed on shipper short-covering, including a vast 700 lot cross on January, reports T. G. Roddick.

Mnth	WHEAT Yesterday's close	+ or −	BARLEY Yest'rdy's close	+ or −
Nov	108.85	+0.40	110.60	+1.05
Jan	112.00	+0.45	115.60	+0.55
Mar	114.60	+0.45	115.80	+0.45
May	116.65	+0.40	116.65	+0.80
July	116.90	+0.20	—	—
Sep	101.45	—	101.45	—
Nov	103.80	−0.10	103.80	—

Business done—Wheat: Nov 108.85-8.60, Jan 112.00-1.70, Mar 114.60-4.35, May 116.65-6.50, July, Sept and Nov untraded. Sales: 797 lots of 100 tonnes. Barley: Nov 110.60-10.00, Jan 113.70-3.60, Mar 115.80-5.60, May 116.60-6.35, Sept and Nov untraded. Sales: 864 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: Nov 106.50, Dec 107.00. US No. 2 Soft Red Winter: Nov 112.00, Dec 113.50. French 11½-12 per cent: Nov 132.75. English feed, fob: Nov 113.00 seller, Dec 113.75-114.50 buyers/seller, Jan/March 119.50 sellers East Coast. Maize: US No. 3 Yellow/French transhipment East Coast: Nov 143.00. Barley: English feed, fob: Nov 116.50 seller, Dec 116.50-117.00, Jan/March 118.00-118.50.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 108.00, E Mids 110.40, N East 109.20, Scotland 106.40. The UK monetary coefficient for the week beginning Monday November 10 (based on HGCA calculations using four days' exchange rates) is expected to change to 1.256.

RUBBER

PHYSICALS — The London market opened about unchanged, attracted selling throughout the day and closed quiet and easier, reports Lewis and Peat. Closing prices (buyers): Spot 67.50p (same); Dec 66.00p (66.75p); Jan 66.25p (67.50p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 232.0 (231.5) and SMR 20 206.0 (same).

FUTURES—Index 670, Dec 670-680, Jan/March 680-690, April/June 692-700, July/Sept 692-705. Sales: Nil.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.05p per kg lw (−0.25). GB—Sheep 149.19p per kg est dcw (+14.93). GB—Pigs 78.11p per kg lw (−1.23).

FUTURES—Pigs: Nov 102.90, Feb 97.30. Sales: 9.

US MARKETS

SUGAR FUTURES reaped the benefit of last week's technical consolidation with the leading March delivery overcoming previous stiff resistance at 7.10c per pound to encourage computer buying and push the market to 7.24c on the close, its highest level since mid-August, reports Heinold. News of reasonable activity on the physical market helped to provide additional impetus, with India said to be the focus much attention again following rumoured purchases in the last week. Coffee also attracted good buying, as December values hit 180c per pound on the close— a rise of over 6c on the day —following an extended volatile run.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Nov	49.50	—	—	49.90
Dec	49.85	50.15	49.80	50.15
Jan	49.95	—	—	50.25
March	50.35	50.60	50.35	50.60
May	50.60	—	—	50.80
July	50.85	—	—	51.00
Sept	51.05	—	—	51.20
Dec	51.15	—	—	51.30
Jan	51.35	—	—	51.50
March	51.45	—	—	51.60

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1877	1895	1875	1876
March	1926	1940	1925	1927
May	1958	1975	1958	1960
July	1979	1995	1981	1984
Sept	1999	2005	—	2001
Dec	2023	2031	2025	2030
March	2047	—	—	2054

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	179.95	180.00	172.60	173.71
March	173.00	173.00	167.50	169.30
May	172.54	172.75	168.00	169.38
July	172.89	172.89	168.50	171.00
Sept	174.30	171.10	170.25	170.30
Dec	170.00	—	—	168.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Nov	58.80	—	—	58.50
Dec	59.10	59.20	58.80	58.80
Jan	59.25	—	—	58.85
March	59.60	59.70	59.30	59.30
May	60.10	60.15	59.90	59.80
July	60.45	60.60	60.50	60.15
Sept	60.75	60.85	60.70	60.45
Dec	61.35	61.40	61.00	61.05
Jan	61.50	—	—	61.20
March	61.80	—	—	61.50

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	46.68	46.79	46.36	46.21
March	46.85	46.99	46.50	46.42
May	47.15	47.45	47.00	47.00
July	47.70	48.00	47.50	47.45
Dec	49.41	49.50	49.10	48.93
March	50.20	—	—	50.35
March	49.52	—	—	50.25

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Dec	14.71	15.23	14.67	15.27
Jan	14.96	15.40	14.93	15.43
Feb	15.14	15.47	15.06	15.50
March	15.15	15.50	15.08	15.50
April	15.12	15.42	15.10	15.50
May	15.24	15.34	15.10	15.50
June	15.50	15.50	15.50	15.50
July	16.40	15.40	16.40	15.60
Aug	15.50	—	—	15.50

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	405.0	406.0	402.9	403.6
Dec	406.8	409.5	404.8	405.5
Jan	408.4	—	—	407.1
Feb	410.0	412.5	408.5	408.7
April	413.0	415.0	410.8	411.8
June	416.2	418.7	415.0	415.1
Aug	419.6	—	—	418.6
Oct	423.0	424.7	424.7	422.1
Dec	426.6	429.5	424.5	425.7
Feb	430.7	433.0	432.5	429.8
June	439.2	—	—	438.4

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Dec	41.15	42.20	40.90	41.92
Jan	42.45	43.40	42.35	43.08
Feb	43.50	44.35	43.25	44.17
March	42.80	43.25	42.25	43.30
April	41.60	41.80	41.20	42.30
May	40.60	40.80	40.50	41.20
June	41.00	—	—	40.90

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	120.05	120.00	118.00	118.40
Jan	120.95	121.00	118.80	119.40
March	120.70	121.10	119.00	119.70
May	120.70	121.00	119.50	119.70
July	120.70	120.95	119.15	119.65
Sept	120.75	120.70	120.70	119.95
Nov	120.75	120.50	119.20	120.20
Jan	120.95	—	—	120.45

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	570.7	—	—	567.4
Dec	575.7	—	—	572.4
Jan	575.7	583.0	573.5	572.4
April	579.2	585.5	578.0	576.2
July	583.7	590.5	583.3	580.7
Jan	592.7	594.0	594.0	589.7

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	570.9	—	—	565.4
Dec	573.5	578.5	571.0	568.0
Jan	576.2	—	—	570.8
March	581.4	586.0	579.0	576.0
May	586.8	590.5	583.0	581.4
July	592.5	597.5	593.0	587.1
Sept	598.4	—	—	593.0
Dec	607.5	612.0	605.5	602.1
Jan	610.9	—	—	605.5
March	617.3	—	—	611.9

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	6.70	6.67	6.55	6.39
March	7.24	7.24	6.96	6.90
May	7.30	7.32	7.09	7.04
July	7.45	7.45	7.25	7.22
Sept	7.55	—	—	7.32
Oct	7.65	7.67	7.48	7.44
Jan	7.90	—	—	7.69

CHICAGO

LIVE CATTLE 40,000lb, cents/lb

	Close	High	Low	Prev
Dec	60.30	60.35	59.35	59.57
Feb	57.37	57.40	56.80	56.95
April	57.65	57.70	57.10	57.30
June	56.90	57.05	56.75	57.05
August	55.70	55.85	55.45	56.05

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	51.25	51.40	50.10	51.60
Feb	48.52	48.75	47.40	48.90
April	44.30	44.40	43.15	44.32
June	47.25	47.40	45.90	46.70
July	46.25	46.60	45.82	46.15
August	45.45	45.60	44.80	45.20
Oct	41.85	42.10	41.55	—
Dec	42.25	42.25	41.90	42.50

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
Dec	175.2	175.6	172.2	173.2
March	183.2	183.6	180.6	181.6
May	188.4	188.4	186.0	187.2
July	190.4	190.8	189.2	190.0
Sept	190.6	191.4	189.2	189.0
Dec	193.6	194.0	191.2	192.2
March	201.2	201.6	201.2	198.6

PORK BELLIES 38,000lb, cents/lb

	Close	High	Low	Prev
Feb	66.10	66.80	66.10	68.10
March	65.02	65.70	64.80	66.80
May	65.12	65.55	64.55	66.25
July	64.02	64.40	63.27	64.70
August	61.62	62.05	61.05	62.32

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Nov	501.0	502.0	497.0	498.2
Jan	500.6	502.4	498.0	500.0
March	504.2	506.0	502.2	504.2
May	508.4	510.0	505.4	509.0
July	510.4	512.4	508.4	511.2
Aug	509.4	511.4	508.4	510.4
Sept	501.4	504.4	501.4	502.4
Nov	503.0	504.4	500.4	504.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	150.7	152.0	150.6	151.7
Jan	150.8	151.9	150.7	151.9
March	150.9	151.8	150.7	151.8
May	151.0	151.8	150.8	151.8
July	151.2	152.0	151.0	151.9
Aug	151.4	151.5	151.0	152.0
Sept	150.9	151.2	150.0	151.0
Oct	150.0	150.3	150.0	150.5
Dec	151.5	151.5	151.6	151.7

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	15.47	15.81	15.26	15.31
Jan	15.60	15.75	15.42	15.47
March	15.92	15.96	15.68	15.73
May	16.05	16.15	15.86	15.95
July	16.15	16.32	16.00	16.09
August	16.25	16.25	16.10	16.20
Sept	16.25	16.30	16.05	16.20
Oct	16.25	16.25	16.05	16.21
Dec	16.60	16.65	16.60	16.65
Jan	16.62	16.60	16.65	16.65

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Dec	289.2	291.6	285.0	287.0
March	270.6	273.6	270.4	272.2
May	255.2	257.0	254.6	255.4
July	242.6	244.4	242.2	243.6
Sept	244.6	245.2	244.6	245.0
Dec	251.4	253.0	251.4	251.4

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 573.0 (564.5) cents per troy ounce.

SUGAR

LONDON DAILY PRICE—Raw sugar $145.00 (£102.60), up $1.50 (down 50p) a tonne for Nov-Dec delivery. White sugar $182.00, up $1.00.

Concern that Brazil might be overextended nearby rallied the market, reports C. Czarnikow.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Dec	148.8-156.8	142.4-146.8	147.8-146.4
Mar	151.2-161.4	156.0-156.2	161.8-156.4
May	155.8-164.2	158.8-159.0	165.8-156.6
Aug	157.0-166.0	165.0-165.4	167.0-162.8
Oct	170.4-170.8	167.2-168.8	178.4-167.0
Dec	171.0-176.8	169.2-172.8	171.5
Mar	181.0-184.8	179.8-181.8	—

Sales: 2,782 (3,169) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £205.50 (£206.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for October 31: Daily price 5.82 (5.68): 15-day average 5.65 (5.63).

PARIS—(FFr per tonne): Dec 1250-1269, March 1298-1305, May 1330-1340, Aug 1365-1375, Oct 1410-1415, Dec 1445-1455.

FREIGHT FUTURES

The market was slightly weaker in thin trade with a public holiday in Japan leading to a quiet physical market, reports Clarkson Wolff.

	Close	High/Low	Prev.
	Dry Cargo		
Jan.	745/760	750	757/758
April	789/795	800	795/800
July	698/700	700/697	700/704
Oct.	791/795	805/800	805/815
Jan.	780/820	—	780/810
Apr.	900/954	—	900/925
July	810/820	—	810/820
BFI.	784	—	786.5

Turnover: 54 (134).

	Close	High/Low	Prev.
	Tankers		
Nov.	880/920	870/850	920/940
Dec.	920/965	—	920/950
Mar.	910/970	—	950/960
June	940/960	—	950/970
BTI.	802	—	792.5

Turnover: 14 (16).

TEA

There were 30,522 packages on offer at the London tea auction, including 3,000 packages in the offshore section, reports the Tea Brokers' Association. Demand was strong but more selective. The better quality Assams sold readily and were often dearer but plainer mediums proved irregular with an easier tendency. Bangladesh teas were well supported at firm rates. Bright liquoring East Africans met good competition and showed advances of 3-5p per kg; mediums were barely steady while plainer descriptions were often easier.

A limited selection of Ceylons sold well and were mostly dearer. Offshore teas attracted fair demand, bright liquoring sorts remained firm but others declined 2-4p per kg. Quotations: quality 198p a kg (193p); medium 160p a kg (162p); low medium 132p a kg (136p).

OIL

In the petroleum products market gas oil and fuel oil weakened in uncertain conditions. Naphtha was quiet as traders shied off. The bullishness of Friday was much reduced. Crude oil trading was very thin as buyers and sellers await decisions from Opec. December Brent lost some 30c to talk around $14.25 at the close. December WTI opened 12c down on Nymex and traded a further 42c down at 1.30 pm EST—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.15-13.35	n/a
Brent Blend	14.20-14.50	n/a
W.T.I. (1pm est)	14.85-14.95*	−0.50
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	142-145	+4.5
Gas Oil	116-119	−1
Heavy fuel oil	66-70	−1
Naphtha	115-120	—

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Nov	119.00	−1.00	120.50-18.50
Dec	124.00	−1.50	125.50-22.50
Jan	127.50	−1.75	128.75-27.00
Feb	130.50	−1.50	130.75-30.00
Mar	128.50	−0.50	128.50
Apr	125.25	−4.00	—

Turnover: 2,558 (6,079) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Nov	70.00	+.300	70.00-68.50
Dec	71.00	—	71.50-71.00
Jan	73.50	+0.50	—
Feb	73.00	—	—

Turnover: 40 (9) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or −	Business Done
Nov	150.50	—	—
Dec	146.00	—	—
Jan	—	—	—
Feb	—	—	—

Turnover: 0 (0) lots of 100 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales for the week ended October 31 amounted to 703 tonnes, compared with 364 tonnes in the previous week. Intermittent dealings occurred mainly from China, the Soviet Union, Turkey and West Africa.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound firm

THE dollar maintained the strength seen at the end of last week, as dealers continued to react to recent better than expected US economic data, including trade figures, leading indicators and factory orders. The only important US statistic this week is October unemployment on Friday, which may show a small decline, although many forecasters expect an unchanged figure of 7 per cent.

Dealers were reluctant to sell the dollar ahead of today's mid-term US Congressional elections, while demand for the currency was underpinned by the cut in the Bank of Japan's discount rate last week, and the prospect of attractive yields for Japanese investors at this week's $29bn US Treasury quarterly refunding auctions, beginning today with an offer of 3-year notes.

On Bank of England figures the dollar's index rose to 112.8 from 112.6.

The dollar advanced to DM 2.0635 fom DM 0590; to FFr 6.7375 from FFr 6.7175; to SFr 1.7175 from SFr 1.7015; and to Y163.95 from Y163.40.

Trading in Tokyo was closed yesterday for a local holiday.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3708. October average 1.4270. Exchange rate index rose 0.3 to 68.7, compared with 76.0 six months ago.

Sterling improved against the dollar and other major currencies, supported by the general trend in interest rates, following the cut in the Japanese discount rate, and expectations of higher oil prices. North Sea oil prices eased slightly, but indications that Saudi Arabia intends to push the Opec benchmark price up to $18 a barrel lent support to the pound. Sterling rose 60 points to $1.4110-1.4120, and the strength of the dollar also helped the pound improve to DM 2.9125 from DM 2.8960; to FFr 9.51 from FFr 9.4425; to SFr 2.4250 from SFr 2.4050; and to Y231.50 from Y229.50.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. October average 2.0038. Exchange rate index 141.0 against 135.5 six months ago.

The D-Mark weakened against the dollar in Frankfurt yesterday. At the fixing the Bundesbank did not intervene when the dollar rose to DM 2.0735 from DM 2.0676. Trading was moderate, in the absence of new factors. The US currency fell to a low of DM 2.0645, and dealers were reluctant to take the dollar above a resistance point of DM 2.0750, on nervousness about taking out long dollar positions. On the other hand it was admitted that if US economic figures remained strong, particularly Friday's unemployment figures, the dollar could move sharply higher. Much of the dollar's strength came from last week's stronger than expected US economic data, including the September trade figures and factory goods orders.

News that the West German Bundesbank offered a securities repurchase agreement with the commercial banks, at a fixed rate of 4.35 per cent, unchanged since early April, set back hopes that the German central bank might follow the Bank of Japan in cutting its discount rate. The Bundesbank council meets on Thursday, and is expected to leave its credit policy unchanged. Mr Karl Otto Poehl, Bundesbank president, visiting New York yesterday for the opening of a branch office, said recently that monetary policy was too expensive, and is well above the target ceiling of 5.5 per cent.

In fairly quiet afternoon trading the dollar closed at DM 2.0715 compared with DM 2.0635 on Friday. Sterling was firm, rising to DM 2.0235 at the Frankfurt close from DM 2.9035. At the fixing the pound improved at DM 2.9340 from DM 2.8450.

£ IN NEW YORK

Nov 3	Latest	Previous Close
£ Spot	1.4135-1.4140	1.4060-1.4070
1 month	0.56-0.53 pm	0.58-0.57 pm
3 months	1.79-1.74 pm	1.79-1.75 pm
12 months	6.35-6.25 pm	6.35-6.25 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Nov. 3	Previous
8.30 am	69.0	68.1
9.00 am	68.9	68.1
10.00 am	68.8	68.1
11.00 am	68.9	68.1
Noon	68.9	68.1
1.00 pm	68.9	68.2
2.00 pm	68.8	68.3
3.00 pm	68.8	68.3
4.00 pm	68.7	68.4

CURRENCY RATES

Nov. 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.83873	0.714492
U.S. Dollar	5.5	1.1862	1.00886
Canadian $	8.58	*	1.40434
Austrian Sch.	4	17.3058	14.7112
Belgian Franc	8	N/A	43.4366
Danish Kroner	7	9.2567	7.87114
Deutsche Mark	3½	2.4596	2.09087
Neth. Guilder	4½	2.7781	2.36185
French Franc	9½	8.0242	6.82293
Italian Lira	12	1698.99	1444.69
Japanese Yen	3	N/A	165.907
Norway Krone	8	N/A	7.60833
Spanish Peseta	—	N/A	140.830
Swedish Krona	7½	N/A	7.11399
Swiss Franc	4	N/A	1.73978
Greek Drach.	20½	166.654	141.571
Irish Punt	—	N/A	0.766612

* C$/SDR rate for Oct. 31: 1.64951

CURRENCY MOVEMENTS

November 3	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.7	−24.6
U.S. Dollar	112.8	+4.4
Canadian Dollar	89.0	−12.8
Austrian Schilling	131.8	+8.9
Belgian Franc	96.8	−5.1
Danish Krone	89.0	1.8
Deutsche Mark	141.0	+18.9
Swiss Franc	164.5	+19.9
Guilder	[illegible]	+12.5
French Franc	70.3	−12.8
Lira	47.8	−15.8
Yen	205.9	+52.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.4366	+0.75	+1.15	± 1.5368
Danish Krone	7.81701	7.87114	+0.69	+1.09	± 1.6403
German D-Mark	2.11083	2.09087	−0.95	−0.55	± 1.1127
French Franc	6.87316	6.82293	−0.73	−0.33	± 1.3659
Dutch Guilder	2.37833	2.36185	−0.69	−0.29	± 1.5059
Irish Punt	0.764976	0.766612	+0.21	+0.61	± 1.6683
Italian Lira	1476.95	1444.69	−2.18	−2.05	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Nov. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4060-1.4170	1.4110-1.4120	0.58-0.55c pm	4.80	1.77-1.72 pm	4.95
Canada	1.9620-1.9695	1.9630-1.9640	0.43-0.34c pm	2.35	1.26-1.11 pm	2.41
Netherlands	3.28½-3.31¼	3.28½-3.29½	1½-1¼c pm	5.24	4⅝-4⅜ pm	5.47
Belgium	60.50-60.96	60.50-60.60	20-15c pm	3.47	58-49 pm	3.53
Denmark	10.96¼-11.04¼	10.96¼-10.97¼	2⅝-1⅛ore pm	1.78	5¼-4 pm	1.69
Ireland	1.0645-1.0793	1.0670-1.0680	0.15-0.35p dis	−2.81	0.45-1.00 dis	−2.72
W. Germany	2.90¼-2.93½	2.90¼-2.91¼	1⅝-1½pf pm	6.18	4⅝-4⅜ pm	6.18
Portugal	213.40-214.75	213.40-214.25	53-114c dis	−4.69	194-342 dis	−5.01
Spain	195.15-196.60	195.15-195.45	16-55c dis	−2.18	32-106 dis	−1.41
Italy	2009¼-2028½	2011-2012	3lire-par	−0.89	5-1 pm	0.60
Norway	10.62¼-10.67	10.62¼-10.63¼	2⅞-3⅝ore dis	−3.67	9⅛-10⅛ dis	−3.62
France	9.50½-9.58½	9.50½-9.51½	2⅞-2⅛c pm	3.31	7¼-6⅞pm	3.08
Sweden	9.92¼-9.98½	9.92½-9.93½	2-1½ ore pm	2.11	6⅛-5¼ pm	2.29
Japan	231-232¼	231-232	1⅝-1¼y pm	6.49	3¾-3½ pm	6.28
Austria	20.50-20.65	20.51-20.54	10-8¼gro pm	5.33	26¼-23¼ pm	4.86
Switzerland	2.42-2.44½	2.42-2.43	1⅝-1½c pm	7.42	4⅝-4⅛ pm	7.01

Belgian rate is for convertible francs. Financial franc 61.00-61.10. Six-month forward dollar 3.38-3.33 c pm. 12-month 6.27-6.17 c pm

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Nov. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4060-1.4170	1.4110-1.4120	0.58-0.55c pm	4.80	1.77-1.72 pm	4.95
Ireland†	1.3138-1.3230	1.3220-1.3230	1.05-0.65c pm	7.76	3.00-2.25 pm	7.99
Canada	1.3902-1.3920	1.3910-1.3920	0.27-0.30c dis	−2.46	0.87-0.92 dis	−2.57
Netherlands	2.3250-2.3500	2.3310-2.3320	0.10-0.08c pm	0.46	0.31-0.28 pm	0.50
Belgium	42.80-43.10	42.85-42.95	4-6 c dis	−1.43	13-17 dis	−1.43
Denmark	7.75¾-7.83¾	7.76¾-7.77¼	1.75-2.25ore dis	−3.08	6.15-6.65 dis	−3.28
W. Germany	2.0600-2.0760	2.0630-2.0640	0.24-0.21pf pm	1.30	0.69-0.64 pm	1.28
Portugal	151-151¼	151-151¼	100-140c dis	−9.49	325-425 dis	−9.89
Spain	138.10-138.97	138.10-138.20	70-85c dis	−6.70	210-235 dis	−6.41
Italy	1424-1433	1424¾-1425¼	4-5lire dis	−3.77	15-16½ dis	−4.40
Norway	7.53-7.55	7.52¾-7.53¼	5.15-5.45ore dis	−8.44	16.10-16.40dis	−8.63
France	6.72½-6.77¼	6.73½-6.74	0.80-0.90c dis	−1.51	3.00-3.30 dis	−1.86
Sweden	7.02-7.05¼	7.03¼-7.03¾	1.50-1.65 ore dis	−2.68	4.50-4.80 dis	−2.64
Japan	163.50-164.30	163.90-164.00	0.26-0.21 y pm	1.72	0.59-0.54 pm	1.38
Austria	14.53½-14.59½	14.57-14.57½	¾-¼ gro pm	0.41	¾pm-1¼ dis	−0.07
Switzerland	1.7140-1.7275	1.7170-1.7180	0.43-0.38 c pm	2.71	0.92-0.87 pm	2.08

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 43.20-43.30.

EURO-CURRENCY INTEREST RATES

Nov. 3	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅜-10⅝	10½-10¾	10⅞-11	10 15/16-11 1/16	10 15/16-11 1/16	10 15/16-11 1/16
U.S. Dollar	5 15/16-6 1/16	5⅞-6	5⅞-6	5 15/16-5 13/16	5 13/16-5 15/16	5 15/16-6 1/16
Can. Dollar	7⅞-8⅜	7⅞-8⅜	8 1/16-8 5/16	8¼-8½	8⅜-8⅝	8⅝-8⅞
D. Guilder	5⅛-5¼	5⅛-5⅜	5 5/16-5 7/16	5 5/16-5 7/16	5¼-5⅜	5¼-5⅜
Sw. Franc	⅜-⅝	1¼-1½	3 1/16-3 3/16	3⅝-3⅞	3 11/16-3 13/16	3⅞-4
Deutschmark	4⅝-4¾	4 5/16-4 11/16	4½-4⅝	4½-4⅝	4 9/16-4 11/16	4½-4¾
Fr. Franc	7⅛-7¼	7⅛-7⅜	7⅜-7½	7⅝-7¾	7⅞-8	7⅞-8⅛
Italian Lire	8-10	9¼-10¼	9¾-10¼	10⅛-10⅝	10⅛-10½	10-10⅜
B. Fr. (Fin.)	7-7¼	7⅛-7⅜	7 3/16-7 7/16	7¼-7½	7⅜-7⅝	7⅜-7⅝
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

UK rates lower as pound rises

INTEREST RATES finished the day down from Friday's levels in London yesterday, helped by a firmer trend in sterling. A fall in Japanese interest rates and a firmer dollar helped to push sterling firmer and remove any upward pressure on rates. Despite the improved climate, however, there appeared to be little change in the market's attitude and while pressure for another rise in base rate subsided, there was little incentive to push rates too lower without further justification.

Three-month interbank money was quoted at 11⅛-10⅞ per cent on down from 11¼-11⅛ per cent on Friday. Overnight money opened at 10¼-10½ per cent and rose to finish at 11 per cent.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a shortage of around £150m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £815m. These were partly offset by Exchequer transactions adding £215m, a fall in the note circulation of £325m and banks' balances brought forward £120m above target.

The forecast was revised to a shortage of around £350m and the Bank gave assistance in the mornings of £177m through purchases of £177m of eligible bank bills.

The forecast was revised once more, this time to shortage of around £400m and the Bank gave additional assistance of £200m through outright purchases of £200m of bills in band 1 at 10⅞ per cent and late help of £60m. Total help was £437m.

In Frankfurt the Bundesbank announced its intention to offer sale and repurchase agreements at a fixed rate of 4.35 per cent. Successful applicants will receive the funds tomorrow, coinciding with the maturity of two previous facilities which will drain DM 6.8bn. The unchanged rate was generally in line with expectations although there was some speculation towards the end of last week that the Bundesbank would consider following the Japanese authorities in cutting their discount rate. This seems less than likely at the moment according to a majority feeling in the market and no decision will be made at Thursday's meeting of the Bundesbank central council.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES

Gilt prices firmer

GILT PRICES rose in the London International Financial Futures Exchange yesterday. Values improved as sterling rose in line with a firmer dollar. Sentiment improved as interest rates in the *cash market declined* and *demand* for gilts resumed. The long gilt December price opened at 111-16 up from 110-17 and touched a high of 111-25 before slipping to a close of 111-10.

Short sterling prices acted in much the same way, opening at 88.93 for December delivery and trading between a high of 88.98 and a low of 88.90 before closing at 88.94

Euro-dollar prices opened at 94.12 for December delivery and traded around this level for most of the morning in good two way business. Sentiment was influenced by proximity of this week's US auctions and also to some extent by this week's Congressional mid-term elections. News on Friday that the Japanese authorities had cut their discount rate provided a favourable *background, with speculators trying* to assess the possibilities of another cut in the US discount rate.

The December Euro-dollar price closed at 94.16 up from 94.12. However, dealers were anxious to point out that a continued appreciation was largely dependent on the level of retail interest in the US refunding package. Overseas participation is widely expected but sentiment could be badly damaged without domestic retail support.

US Treasury bond prices opened at 97-28 for December delivery up from 97-19 and improved from the openeing low to 98-03 where values steadied ahead of Chicago. Participation by the latter encouraged renewed buying to a high of 98-26 before the *contract finished at 98-23.*

The recent bullish trend remained reasonably well intact despite the dollar's firmer trend and signs that the US economy was at least stabilising if not turning around. However, ideas that any fresh economc trend were sufficiently robust to negate altogether the need for another cut in US interest rates were probably premature. At the same time the market was generally agreed that there would be no cut in interest rates at least until next week.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	5.21	6.19	0.01	0.55
108	3.29	4.54	0.09	1.26
110	1.55	3.38	0.35	2.10
112	0.50	2.37	1.30	3.09
114	0.15	1.50	2.59	4.22
116	0.03	1.11	4.47	5.47
118	0.00	0.48	6.44	7.20
120	0.00	0.29	8.44	9.01

Estimated volume total, Calls 925 Puts 442
Previous day's open int. Calls 23,000 Puts 6,072

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
88	10.46	10.32	0.00	0.40
90	8.46	8.55	0.00	0.63
92	6.46	7.22	0.00	1.30
94	4.49	5.63	0.03	2.07
96	2.62	4.50	0.16	2.58
98	1.33	3.48	0.51	3.56
100	0.39	2.56	1.57	5.00
102	0.12	2.11	3.30	6.19

Estimated volume total, Calls 125, Puts 321
Previous day's open int. Calls 746, Puts 1098

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Nov.	Calls—Last Dec.	Puts—Last Nov.	Puts—Last Dec.
1550	—	11.15	—	0.60
1575	8.35	9.07	0.30	1.02
1600	6.22	7.19	0.67	1.64
1625	4.37	5.53	1.32	2.48
1650	2.86	4.12	2.31	3.57
1675	1.74	2.97	3.69	4.92
1700	0.97	2.07	5.42	6.52
1725	0.50	1.39	7.45	8.34

Estimated volume total, Calls 178, Puts 100
Previous day's open int. Calls 320, Puts 289

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT; 10% NOTIONAL SHORT GILT; THREE-MONTH STERLING DEPOSIT; THREE-MONTH EURODOLLAR; POUND—$ (FOREIGN EXCHANGE); FT-SE 100 INDEX; US TREASURY BONDS 8%; LIFFE—STERLING

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; CERT. DEPOSIT (IMM); THREE-MONTH EURODOLLAR (IMM); U.S. TREASURY BILLS (IMM); STANDARD & POORS 500 INDEX

[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 3, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00	Ghana	Cedi	211.01	Panama	Balbao	1.4115
Albania	Lek	10.09	Gibraltar	Gibraltar £	1.0	Papua New Guinea	Kina	1.3890
Algeria	Dinar	6.55	Greece	Drachma	198.52	Paraguay	Guarani	(338.88 (10) 818.96 (7)
Andorra	French Franc / Spanish Peseta	9.51 / 195.30	Greenland	Danish Krone	10.9675			
			Grenada	E. Caribbean $	3.82	Peru	Inti	exc(A)(o)19.69 (F)26.05
Angola	Kwanza	43.193	Guadaloupe	Local Franc	9.51			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES

PUBLISHED IN LONDON • FRANKFURT • NEW YORK

[illegible]

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	100	Exch. 13¼pc 1987	100	.....	13.20	10.97
100¾	97	Treas 10¼pcCv '87	99	+	10.28	10.91
98	92	Exch 2½pc 1987	98	+	2.54	7.64
101	97½	Exch. 10½pc 1987	99	+	10.52	10.91
98	95	Funding 6½pc 85-87	98	+	6.61	10.05
101	96	Treas. 10pc 1987	99	+	10.06	10.96
97	90	Treas 3pc 1987	96½	+	3.11	8.28
104½	99	Treas. 12pc 1987	101	.....	11.88	10.91
99	92	Treas 7¾pc 1985-88‡‡	96	+	8.01	10.56
104	96	Exch 10½pc '88	99	+	10.56	10.97
102	95	Treas 9½pc Cv '88	98	+	9.95	11.11
94	86	Transport 3pc '78-88	92	+	3.26	8.25
102½	93	Treas. 9½pc '88	97	+	9.74	11.05
107	98	Treas 11½pc 1989	100	+	11.40	11.01
103	93	Treas 9½pc Cnv 1989	96	+	9.81	10.99
92	82	Treas 3pc 1989	87	+	3.41	8.44
105	95	Treas 10½pc 1989	98	+	10.64	11.06
104	94	Exch 10pc 1989	97½	+	10.26	11.05
107	97	Exch 11pc 1989	99	+	11.01	11.03
93	84½	Treas 5pc 1986-89	88	.....	5.64	9.49
110	96	Exch 10¼pcCv '89	99	+	10.26	10.28
114	103	Treas 13pc 1990‡‡	105	+	12.37	11.02
108	97	Exch 11pc 1990‡‡	99	+	11.01	10.97
113	101	Exch. 12½pc 1990	104	+	12.01	11.02
89	79	Treas. 3pc 1990	83	–	3.59	8.52
100	89	Treas 8¼pc 1987-90‡‡	93	+	8.85	10.55
106	93	Treas. 10pcCv 1990	96	+	10.33	11.01
86	76	Exch 2½pc 1990	80	–	3.10	8.24
112	99	Treas 11¾pc 1991	102¼	+	11.49	11.03
94	83	Funding 5¾pc '87-91‡‡	87	–	6.59	9.35
86	79	Treas. 3pc 1991	79	+	3.76	8.49
41	40	Treas 10pcCv'91(£40pd)	41	+	10.24	10.63
110	96	Exch. 11pc 1991	100	+	10.98	10.95
		Five to Fifteen Years				
118	103	Treas 12¾pc 1992‡‡	106	+	11.96	11.01
107	92	Treas 10pc 1992	95	+	10.42	11.01
109	94	Treas 10½pc Cv 1992‡‡	98	+	10.71	11.01
117	101	Exch. 12¼pc '92	104	+	11.69	11.10
		Exch 13½pc 1992	109	+	12.29	11.15

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
112	30	Anglo-Dominion	99	–1	—	—	—
42	19½	Anglo Utd	23	.....	—	—	—
80	27	♥Colby Res Corp.	32½	–2	—	—	—
300	115	Cons. Murch. 10c	£1¾	.....	Q60c	4.4	10.6
34	24	‡Ennex Int. Ir10p	25	.....	—	—	—
144	70	Greenwich Res	137	–1	—	—	—
157	93	Hampton Areas 10p	146	–2	ϕ1.0	—	1.0
327	165	♥Highwood Res.	244	–3	—	—	—
£20¼	£13⅝	Homestake Mining $1	£18⅜xd	–⅛	Q20c	—	0.7
310	156	♥McFinley Red Lake	211	–2	—	—	—
285	144	♥Muscto Explorations	286	–2	—	—	—
51	28	♥New Sabina Res C$1	39½	.....	—	—	—
353	200	Northgate C$1	330	–5	—	—	—
790	513	RTZ	690xd	+10	22.0	2.4	4.5
£164	£115	Do. 9¾pcLn '95-2000	£143¾xd	+1½	Q9¾%	15.5	6.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- \# Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▯ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	60	......	Fin. 13% 97/02	£96⅝	+1⅛
Craig & Rose £1	£14⅝	......	Arnotts	270	......
Finlay Pkg. 5p	46	–1	CPI Hldgs.	40	......
Holt (Jos) 25p	815	......	Carroll Inds.	123	+10
IoM Stm. £1	75	......	Dublin Gas	30	......
			Hall (R. & H.)	78	......
IRISH			Helton Hldgs.	24	–3
Fund 11¼% 1988	£96⅞	......	Irish Ropes	112	......
Nat. 9¾% 84/89	£91¼	+⅛	Unidare	245	......

"Recent Issues" and "Rights" Page 39
(International Edition Page 29)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1

*New time dealings may take place from 9.00 am two business days earlier.

Firmer pound brings strong advance by Government bonds and drives share prices higher

The UK financial markets took the lead from sterling yesterday as firmness in the pound, reflecting improved prospects for oil prices, reduced the pressures for a further increase in domestic interest rates.

The improvement in thepound gave both domestic and foreign investors the confidence to take advantage of the attractive yield differential between British and foreign goverment issues. Gilt-edged prices slipped off the top as sterling shaded below its best, but ended the session with net gains of just over one point. Two of the new taplet stocks, announced on Friday, were rapidly bought out, and not much was left of the £50m of index linked Treasury 08—the final tranche of the £400m package. The FT Government securities index added 0.59 to 83.19.

The stock market followed much the same pattern, closing off the top but solidly higher on the day. The FT-SE 100 index climbed 7.1 to 1639.2, and the FT Ordinary index 8.7 to 1294.1.

Equities were helped by chartist recommendations which claimed that yesterday's uptick represented a significant breakthrough.

Technological problems were fewer than last week. The Stock Exchange SEAQ One level was upgraded to allow entry to SEAQ Two, thus giving wider access to marketmaker quotations.

Prices for British Aerospace were taken off the screens for a while, because of a minor confusion in inputting quotations. But traders were clearly adapting more happily to the new-style market system.

Oil stocks softened slightly under a trickle of selling from the US. But Hanson Trust were firm, with 6.1m shares traded in London as the stock began trading in the US in the form of American Depositary Receipts (ADRs).

Stock in Saatchi and Saatchi, a weak spot of late, turned sharply higher in the wake of investment comment in the UK press. Pharmaceutical stocks were good again, led by Glaxo which has been restored to the favour of US investors by bullish investment comment.

AE, motor components, jumped 31p to 267p, after Mr Robert Maxwell, via Hollis group, offered 287p in shares, or 260p cash for the company, which was facing the possibility of a new bid from Turner and Newall. The UK Takeover Panel cleared Turner to rebid after AE thwarted Turner's first offer.

Hill Samuel better

Hill Samuel, recently favoured on vague rumours of a US bid or, from British and Commonwealth Shipping now that Mr John Gunn is at the helm, attracted renewed speculative support and closed 8 higher at 369p; the interim results are scheduled for Thursday. Irish leasing concern, **Woodchester**, meanwhile, which is now controlled by John Gunn's B and C, advanced 30 in a thin market to 405p on reports that the group is to acquire the Irish division of Lloyds Bank subsidiary, Bowmaker.

Quietly firm conditions persisted in the Building sector. Renewed demand in a restricted market in the wake of a recent broker's "buy" circular lifted **BPB Industries** 11 more to 485p. **Tarmac** edged up 5 to 440p and **AMEC** firmed 7 to 265p, while **Barratt Developments** improved a few pence to 148p. **Gleeson** attracted supported and rose 8 to 341p and **Thomas Warrington** put on 4 to 90p. News that an unnamed buyer is interested in acquiring a 29.9 per cent stake in the company at a modest premium to the rights offer price of 85p per share boosted **Walter Lawrence** 3 to 88p. **Tay Homes** rose 9 to 190p in a limited market and **Manders**, buoyed by takeover hopes, added 3 more to 341p. Dealings in **Sheffield Brick** were temporarily suspended at 29p following acquisition news and the publication of reorganisation particulars. Timber issues showed **Meyer International** 9 higher at 269p.

Movements in the Chemical sector rarely exceeded a couple of pence in either direction although USM-quoted **Alida** rose 10 to 270p on news that the company has decided to apply for a full listing.

Stores wanted

Leading Stores were in the vanguard of the equity markets advance yesterday. Hopes of a pre-Christmas spending boom induced good demand from the outset with **Burton** particularly popular ahead of the forthcoming preliminary figures schedued for November 20 and closing 12 higher at 293p. **Woolworth** ended the same amount dearer at 643p and **Harris Queensway** put on 10 at 206p. **Gussies "A"** finished ⅜ higher at £10¼ and **Dixons** rose 8 to 361p. Another large speculative business was transacted in current takeover favourite **Sears**—15m shares changed hands — as persisting rumours of a bid from either Robert Holmes a Court or a Gerald Ronson-led consortium left the shares dealy a couple of pence dearer at 139½p, after 140p. Elsewhere, mail order concern **Freemans** attracted buyers at 427p, up 10. Among Shoe concerns, Press speculation about a possible bid from British Land left **Style** 17 to the good at 258p.

Racal, a friendless market of late with sentiment not helped by recent 'sell' recommendations from brokers' Phillips and Drew and Messel, returned to favour and touched 179p at one stage, before closing 6 higher on balance at 174p, as over 13m shares changed hands; the change in sentiment owed much to Press speculation that the company are considering floating off their Vodaphone cellular radio business and, a 'buy' recommendation from Mr Brian Newman of Chase Manhattan Securities who states that profits from its Vodaphone operations will exceed original estimates by 50 per cent. A good trade was also transacted in **British Telecom** as the shares improved 3 to 191p, while **BICC** added 7 at 272p, and **Cable and Wireless** put on 6 at 333p. Secondary stocks featured **Oxford Instruments** 82 down at 454p, after 455p, following acute disappointment with the interim results.

Leading Engineers made progress. **Hawker** continued its recent movement and closed 13 to the good at 466p, but the volume of trade was only small. **GKN** rose 5½ to 249p and **Vickers** a few pence to 395p. **Glynwed** continued to attract buyers at 303p, up 5, while **Williams Holdings** bid hopes enlivened further interest in **Aurora** which settled 2½ better at 76p. Press mention prompted a rise of 8 to 318p in **Thomson Robinson**. **Delta** were also noteworthy for a rise of 7 at 184p.

Confirmation that Ferruzzi of Italy is close to a conditional agreement which would give it a 70 per cent stake in British Sugar helped Bs parent **S. & W. Berisford** add 3 to 285p, bt the news depressed **Tate and Lyle** which is also interested in acquiring BS and T & L closed 5 off at 572p. Elsewhere in the Food sector, **Associated British Foods** hardened a couple of pence to 293p in reply to the slightly-better-than expected interim results, while **Ranks Hovis McDougal** added a penny to 256p following a good two-way business. A quietly firm Food Retailing sector showed **ASDA-MFI** 4 better at 169p and **William Low** 7 to the good at 570p.

Beecham improve

Beecham, scheduled to reveal interim figures on November 20, gradually improved to close 10 higher at 441p. Revived bid suggestions prompted interest in **Boots**—2.9m shares changed hands—which gained 4 to 232p. Elsewhere in the miscellaneous industrial leaders, **Hanson Trust** ended a further 4½ up at 203½p, but the volume traded here fell away considerably as only 6.1m shares traded compared with 23m last Friday; dealings started in **Hanson's** ADR's yesterday on the US market. Among the secondary issues, week-end Press mention enlivened fresh demand for **Sterling Industries** which touched 190p before settling 30 to the good at 170p. Others to respond to newspaper comment included **Wellcome**, 9 higher at 201½p and current takeover favourite **Pilkington** 11 dearer at 592p. News of the proposed acquisition of Bekkers Beheer BV of Holland left **Cannon Street Investments** 5 better at 179p, while **UDO Holdings** responded to the good annual results with a rise of 8 at 160p, after 170p. Buyers continued to show interest in **Parker Knoll A** which rose 8 to 432p, but **J. H. Fenner**, the subject of speculative activity last week, ran back 4 to 140p. **Valor**, interim figures expected on November 13, met with a considerable amount of buying interest and closed 14 to the good at 268p. **Wyndham Group** stood out with a jump of 23 to 106p, while late demand left **Hestair** 10 higher at 160p.

With the exception of AE, Motor features were scarce. **Appleyard**, at 166p, recovered 10 of Friday's near-30 fall which followed termination of the bid talks with T. Cowie, while **BSG** improved 1½ to 54p after news of an Australian acquisition which is to be satisfied by a vendor placing of 18.9m shares at 48p per share.

Details of the management buy-out aroused a flurry of activity in **McCorquodale** which rose to 295p before settling a net 8 up at 290p: Amplepoll, to be renamed Datafin, is offering 300p per share cash for each McCorquodale share and the deal is backed by Pru-Bache. **Norton Opax**, whose bid led to the McCorquodale executives' action, remained at 145p. Occasional demand in a thin market, touched off by a newsletter recommendation, raised **Goodhead Print** 17 to 155p. Among Agencies, **Saatchi and Saatchi** jumped to 633p before closing 27 up on balance at 630p, also following newspaper comment. **LCA** slipped 3 to 99p following the £7.4m rights issue.

Investors appeared to be in no mood to chase the Property leaders higher and prices closed virtually unchanged. However, secondary issues attracted occasional buying interest with **Regalian** 3 dearer at 360p ahead of Thursday's half-timer and **Five Oaks** 4 up at 57p also in front of annual results on Thursday. **Jermyn** advanced 20 to 320p in restricted market, as did **Grainger Trust**, to 480p. Press suggestions of a bid of 75p per share stimulated speculative demand for **Markheath** which gained 6 to 58p, while buying of a similar nature left **Property and Reversionary** a couple of pence dearer at 250p.

1928 Investment Trust, which recently announced that it was considering unitisation proposals, bounded 14 to 240p on the agreed offer from **London and Edinburgh**, the Beckwith Bros property group. The latter reacted 25 to 640p. Elsewhere, **Hambros Investment** rose 6½ to 208p, but **TR Natural Resources** slipped 3 to 142p after the disclosure that Oslo-based Platou Investment had acquired a 28.8 per cent stake.

Favourable comment ahead of today's interim figures lifted **GT Management** 3 further to 216p.

IC Gas firm

Predictions of fresh gains in crude oil prices were hardly reflected by the oil majors which traded in much quieter fashion than of late and closed with small mixed movements. **British Petroleum** touched 693p initially, bt subsequently drifted back in the absence of follow-through support to close 3 cheaper on balance at 686p. **Shell**, third-quarter figures due on Thursday, closed 6 better at 938p. **Britoil** firmed 3 to 149p, while **Ultramar**, in which Rainbow recently increased its holding to 6.8 per cent, firmed 5 to 161p. **IC Gas** attracted fresh demand pending further bid developments and rose 10 to 579p.

Overseas Traders were one of the more quieter sectors. **Polly Peck** hardened to 194p but **Harrisons and Crosfield** lost 5 to 444p despite comment on the latter's break-up value. It is pointed out the annual results of Polly Peck are due early next month not on November 12 as suggested in this column on Saturday.

Miningf markets remained in the doldrums. South African Golds and related counters continued to give ground following another thin and sensitive trade as investors in major international centres displayed scant enthusiasm to establish fresh positions in the light of the lacklustre performance by both bullion and the South African currency.

Bullion again tested the $400 barrier but rallied late following "cheap" demand stimulated by reports of labour problems involving around 3,700 workers at Anglo American's President Steyn mine. A stoppage was also believed to have halted production at GFSA's Zincor zinc refinery. The metal finally settled at $405.75 an once — a net gain of $5.125. The Financial Rand was quoted a fraction firmer at 20.75c against the dollar, after 21c.

Heavyweight Golds showed **Vaal Reefs** over a point lower at £50⅝, while smaller-priced issues displayed falls of around 30 common to **Freegold**, 681p, **Durban Deep**, 712p, and **ERGO**, 256p. The FT Gold Mines index dipped 5.9 more to 271.3.

London-domiciled Financials went better in line with domestic equities. **RTZ** touched 690p before settling 5 up on balance at 685p, while **Consolidated Gold Fields**, additionally aided by favourable comment in the weekend Press, advanced 13 more to 640p; the latter's annual meeting is scheduled for tomorrow.

Leading Australian mines gave modest ground in London mirroring the trend st by rather subdued overnight Sydney and Melbourne markets. The firmer Australian dollar was counterbalanced by bullion's initial uncertain performance and consequently the top resource stocks went lower under the lead of **Western Mining**, 8 cheaper at 210p. Golds also met offerings for choice with **Gold Mines of Kalgoorlie** 10 cheaper at 613p, and **Sons of Gwalia** 12 off at 331p.

Paragon Resources hardened 1½ to 28p following the quarterly report; the company is nearing start-up at its Temora Project in New South Wales and has also announced the proposed exploration of a promising epithermal target on Manus Island, Papua New Guinea. Occasional interest in a market severely short of stock lifted **Aquarius** 12 to 52p, while **North Kalgurli** was quoted at 43p ex-the-rights issue.

Traded Options

Another firm showing by the underlying securities ensured a lively session in Traded Options. Total contracts struck amounted to 32,260 and, as on Friday, dealers reported often sizeable interest throughout the list. **Hansen Trust** were again to the fore and attracted 7,936 calls, with the December 200's contributing 2,355 trades. Fresh interest was also noted for positions in **Boots** and **Beecham** with 2,491 and 2,176 calls transacted respectively, while **TSB** attracted 1,167 calls and 352 puts.

FINANCIAL TIMES STOCK INDICES

	Nov. 3	Oct. 31	Oct. 30	Oct. 29	Oct. 28	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	83.19	82.60†	82.39	82.34	82.94	83.93	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.15	88.87	88.83	88.87	88.86	89.64	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,294.1	1,285.4	1,279.1	1,267.2	1,255.8	1,071.1	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	271.3	277.2	280.6	285.9	277.7	222.9	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.35	4.38	4.37	4.42	4.46	4.48				
Earnings Yld.%(full)	10.07	10.12	10.05	10.19	10.29	10.98				
P/E Ratio (net) (*)	12.17	12.11	12.20	12.03	11.92	11.27				
SEAQ Bargains (5.15pm)	33,179	28,131	26,509	25,522	26,519	—				
Equity Turnover	—	1512.78	921.30	1,043.95	623.60	415.83				
Equity Bargains	—	43,590	40,978	43,618	23,512	24,834				
Shares Traded (ml)	—	389.6	354.1	332.2	274.8	220.2				

S.E. ACTIVITY

Indices	Oct. 31	Oct. 30
Gilt Edged Bargains	148.5	113.1
Equity Bargains	282.4	265.5
Equity Value	3057.7	1862.2
5-Day Average		
Gilt Edged Bargains	110.9	99.5
Equity Bargains	231.0	216.5
Equity Value	1894.9	1580.8

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1295.5	1294.9	1290.1	1290.3	1291.9	1295.5	1296.5	1297.1

Day's High 1297.5. Day's Low 1289.3. † Correction

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.66.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Traditional Options

- First dealings Nov 3 Nov 17 Dec 1
- Last dealings Nov 14 Nov 28 Dec 12
- Last declaration Feb 5 Feb 19 Mar 5
- For Settlement Feb 16 Mar 2 Mar 16

For rate indications see end of Unit Trust Service

Money was given for the call of **Tozer Kemsley and Millbourn**, **Equity and General**, **Systems Designers**, **Sears**, **Cowen de Groot**, **Richardson Westgarth**, **British Car Auctions**, **Britoil**, **Phoenix Property**, **Abaco Investments**, **Audiotronic**, **Amstrad**, **North Kalgurli**, **Tay Homes**, **TSB**, **Johnson and Firth Brown**, **GKN**, **CASE**, **Telephone Rentals**, **Peek**, **Southern Resources**, **Saatchi and Saatchi** and **Richards**. Puts were struck in **Amstrad** and **Riley Leisure**, while a double option was taken out in **Sycamore**.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	3,700	169	+4	ICI	889	£10½	−⅛
Allied Lyons	795	312	−½	Jaguar	536	515	−4
BAT	3,000	469	+5	Ladbroke	146	366	—
BOC	282	339½	+1½	Land Securities	333	332	+2½
BTR	1,300	291	+4½	Legal & Gen.	258	297	−1
Barclays Bnk	244	488	−2	Lloyds Bank	315	429	+3
Bass	227	745	+9	Lonrho	630	240½	+1
Beecham	2,900	440	+9	Marks & Spencer	1,900	194½	+3½
Blue Circle	117	611	−1	Midland Bank	1,100	552	+3
Boots	4,400	234	+6	NatWest Bank	1,200	537	+3
Brit. Aero	692	474	−3	P & O	396	510	−1
Britoil	7,500	149	+3	Plessey	3,900	177	+2
BP	2,300	686	−3	Prudential	317	780	+1
Brit. Telecom	8,300	191	+3	Racal	14,000	174	+6
Burton	2,100	293	+12	Reckitt & Col	116	770	+2
Cable & Wire	3,200	329	+2	Reuters	220	539	−2
Cadbury Schweppes	1,600	189½	+1½	RTZ	141	690	+10
Comm. Union	2,400	287	—	Royal Insurance	831	826	−7½
Cons. Gold	690	639	+12	STC	1,200	156	+2
Courtaulds	1,700	309	+4½	Sainsbury	485	397	−2
Dixons Grp	1,400	361	+8	Sears	15,000	139½	+1½
Fisons	120	579	—	Sedgwick	757	374	−1
Gen. Accident	459	851	+1	Shell Trans	1,800	937	+6
Gen. Elect	3,200	171	+2	Sun Alliance	200	700	−1
Glaxo	1,200	950	+5	TSB	12,000	82	+1
Grand Met	792	440	—	Tesco	1,000	465	+3
Gus "A"	819	£10¼	+⅜	Thorn EMI	933	465	+5
Guardian R.E.	204	830	−5	Trafalgar Hse	350	288	+1
GKN	1,500	249	+5½	Trusthse Forte	1,200	166	+2
Guinness	903	337	—	Unilever	1,200	£19¼	+⅛
Hanson Trust	6,900	203½	+4½	Utd Biscuits	1,000	252	+2
Hawker Siddl	952	456	+13				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	104	4	5
Corporations, Dom. and Foreign Bonds	39	5	25
Industrials	329	322	673
Financial & Properties	202	112	264
Oils	36	26	50
Plantations	2	3	9
Mines	24	86	72
Others	58	80	61
Totals	794	638	1,159

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (248)

AMERICANS (8), BANKS (1), BREWERS (6), BUILDINGS (14), CHEMICALS (3), STORES (5), ELECTRICALS (5), ENGINEERING (6), FOODS (7), INDUSTRIALS (23), INSURANCE (2), LEISURE (7), MOTORS (2), NEWSPAPERS (1), PAPER (9), PROPERTY (10), SHIPPING (1), TEXTILES (1), TRUSTS (37), OILS (3), PLANTATIONS (1), MINES (2).

NEW LOWS (9)

LOANS (1) Nationwide 7⅝pc I-L Ln 2021, ELECTRICALS (1) Powerline Int, FOODS (1) Cullens, INDUSTRIALS (3) Airsprung, Beejak, Dickie Heel, LEISURE (1) Scairo, PAPERS (1) Fitch & Co, TRUSTS (1) GBC Capital.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Monday November 3 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri Oct 31 Index No.	Thur Oct 30 Index No.	Weds Oct 29 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (211)	665.27	+0.6	9.16	3.84	13.86	15.51	661.38	658.17	652.59	556.58
2 Building Materials (27)	805.73	+0.8	9.06	3.64	13.91	17.46	799.20	797.36	786.28	622.57
3 Contracting, Construction (30)	1121.09	+0.8	7.78	4.13	17.66	28.80	1112.18	1106.48	1105.48	945.48
4 Electricals (12)	1752.91	−1.2	8.37	4.83	15.48	53.27	1774.82	1757.73	1744.44	1365.81
5 Electronics (38)	1433.68	+1.2	9.88	2.84	13.49	29.35	1416.90	1417.46	1415.93	1278.27
6 Mechanical Engineering (60)	370.57	+0.8	10.64	4.45	11.99	9.79	367.77	365.29	359.40	325.39
8 Metals and Metal Forming (7)	335.47	+0.7	9.51	4.20	13.22	7.39	333.12	333.14	333.09	232.27
9 Motors (16)	258.43	+1.0	10.26	3.96	11.48	5.67	255.95	255.14	254.31	198.54
10 Other Industrial Materials (21)	1226.41	−0.6	7.28	4.40	16.28	29.58	1233.64	1214.35	1198.67	1022.87
21 CONSUMER GROUP (185)	942.08	+0.8	7.97	3.50	15.74	16.70	934.54	929.22	922.52	745.23
22 Brewers and Distillers (22)	955.63	+0.1	9.18	3.36	13.99	16.91	954.61	951.46	934.42	788.38
25 Food Manufacturing (24)	712.56	+0.2	9.40	3.83	13.85	14.49	711.11	708.07	706.96	540.96
26 Food Retailing (16)	1876.49	+0.5	6.42	2.78	21.69	30.21	1867.26	1866.42	1874.09	1649.33
27 Health and Household Products (10)	1541.48	+1.5	6.09	2.46	19.16	12.84	1521.58	1522.83	1503.32	1128.67
29 Leisure (27)	997.01	+0.5	7.91	4.35	16.77	25.08	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (15)	2591.53	−0.2	7.64	4.57	16.81	55.86	2597.89	2594.57	2581.99	1881.64
33 Packaging and Paper (14)	477.40	+0.2	7.07	3.45	18.38	10.54	476.55	475.09	461.61	369.05
34 Stores (38)	879.37	+1.8	6.81	2.98	19.89	13.98	864.08	854.36	851.19	774.67
35 Textiles (17)	532.04	+0.8	9.61	3.71	12.04	10.11	527.93	526.40	524.01	366.71
36 Tobaccos (2)	1305.67	+0.9	12.66	3.96	8.68	36.99	1293.48	1268.88	1261.86	821.75
41 OTHER GROUPS (87)	788.98	+0.5	8.55	4.05	15.11	17.55	785.24	781.31	774.25	715.01
42 Chemicals (20)	998.61	−0.3	8.80	4.33	13.82	29.09	1001.18	1001.65	986.29	693.65
44 Office Equipment (4)	240.52	−0.3	7.73	4.42	15.65	7.55	241.28	241.05	241.63	229.56
45 Shipping and Transport (13)	1534.91	—	7.48	4.30	16.17	43.56	1535.37	1536.20	1501.83	1156.81
47 Telephone Networks (2)	775.33	+1.4	11.06	4.74	12.36	16.67	764.83	762.73	763.79	896.37
48 Miscellaneous (48)	1109.74	+0.3	6.98	3.07	20.04	16.84	1105.94	1091.53	1087.13	904.29
49 INDUSTRIAL GROUP (483)	838.63	+0.7	8.39	3.61	15.09	16.85	833.01	828.57	822.49	695.77
51 Oil & Gas (17)	1404.84	—	11.63	6.37	10.59	62.40	1405.05	1398.56	1309.35	1113.38
59 500 SHARE INDEX (500)	886.42	+0.6	8.78	3.94	14.37	20.44	881.21	872.97	864.21	733.03
61 FINANCIAL GROUP (118)	610.85	—	—	4.64	—	16.78	610.63	607.72	602.07	524.22
62 Banks (8)	672.48	−0.1	18.72	5.64	7.33	23.94	673.27	665.52	651.23	531.99
65 Insurance (Life) (9)	821.45	+0.2	—	4.74	—	27.29	820.08	814.82	806.88	788.01
66 Insurance (Composite) (7)	474.99	−0.4	—	4.57	—	10.93	476.72	475.18	474.92	395.98
67 Insurance (Brokers) (9)	1288.97	+0.6	7.63	4.02	17.14	35.33	1292.45	1308.49	1277.80	1235.25
68 Merchant Banks (12)	344.37	+0.3	—	3.82	—	5.98	343.27	344.16	341.71	286.49
69 Property (49)	791.35	+0.5	5.71	3.54	22.96	14.35	787.55	789.86	787.99	694.30
70 Other Financial (24)	356.35	+0.3	9.03	4.42	13.47	9.06	355.38	355.27	354.19	312.34
71 Investment Trusts (99)	824.50	+0.2	—	2.91	—	13.75	822.03	820.23	811.67	634.38
81 Mining Finance (2)	332.44	+1.6	9.45	4.82	12.44	11.30	327.10	324.05	320.77	252.50
91 Overseas Traders (13)	759.99	−0.1	10.15	5.80	11.73	27.22	760.66	754.54	754.56	588.50
99 ALL-SHARE INDEX (732)	811.26	+0.5	—	4.13	—	19.21	807.27	800.61	792.72	671.62

	Index No.	Day's Change	Day's High	Day's Low	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Year ago
FT-SE 100 SHARE INDEX ♦	1639.2	+7.1	1644.0	1634.4	1632.1	1597.0	1583.6	1586.2	1577.1	1375.5

FIXED INTEREST

PRICE INDICES	Mon Nov 3	Day's change %	Fri Oct 31	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	119.43	+0.34	119.03	—	9.57
2 5-15 years	130.64	+0.89	129.49	—	11.61
3 Over 15 years	137.11	+1.24	135.42	—	11.43
4 Irredeemables	148.08	+0.70	147.05	—	13.34
5 All stocks	129.87	+0.77	128.89	—	11.01
Index-Linked					
6 5 years	113.13	−0.01	113.14	—	2.00
7 Over 5 years	110.78	+0.41	110.26	—	2.84
8 All stocks	111.07	+0.34	110.69	—	2.69
9 Debentures & Loans	111.89	+0.66	111.16	—	9.85
10 Preference	79.77	+0.41	79.44	—	5.41

AVERAGE GROSS REDEMPTION YIELDS	Mon Nov 3	Fri Oct 31	Year ago (approx.)
British Government			
1 Low Coupons 5 years	9.72	9.76	9.98
2 Low Coupons 15 years	10.25	10.38	10.25
3 Low Coupons 25 years	10.25	10.39	10.22
4 Medium Coupons 5 years	10.97	11.07	11.21
5 Medium Coupons 15 years	10.56	10.73	10.61
6 Medium Coupons 25 years	10.25	10.35	10.26
7 High Coupons 5 years	11.00	11.08	11.29
8 High Coupons 15 years	10.75	10.92	10.76
9 High Coupons 25 years	10.50	10.60	10.32
10 Irredeemables	10.07	10.13	9.81
Index-Linked			
11 Inflat'n rate 5% 5 yrs	4.41	4.39	0.0
12 Inflat'n rate 5% Over 5 yrs	3.80	3.83	0.0
13 Inflat'n rate 10% 5 yrs	3.02	2.99	0.0
14 Inflat'n rate 10% Over 5 yrs	3.64	3.67	0.0
15 Debs & Loans 5 years	11.49	11.60	11.27
16 Debs & Loans 15 years	11.46	11.56	11.27
17 Debs & Loans 25 years	11.43	11.52	11.27
18 Preference	11.54	11.59	11.91

♦Opening index 1641.9; 10 am 1639.2; 11 am 1634.9; Noon 1636.0; 1 pm 1638.4; 2 pm 1642.1; 3 pm 1643.8; 3.30 pm 1643.1; 4 pm 1640.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
Allied Lyons (*314)	280	43	53	60	4	5	10
	300	27	37	43	9	13	18
	330	11	18	30	25	27	30
	360	2½	9	—	50	52	—
B.P. (*686)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*640)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*308)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*288)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire (*333)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C. (*173)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*441)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*1098)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities (*332)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Spen. (*197)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*938)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar House (*288)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TSB (*82)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Midland Bk (*552)	500	57	75	85	2	8	12
	550	15	37	50	15	27	33
	600	3	12	20	52	55	60
P. & O. (*511)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*175)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*690)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*$71)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 1991 (*£105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07 (*£109)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec.	Calls Mar.	Calls Jun.	Puts Dec.	Puts Mar.	Puts Jun.
Beecham (*442)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*233)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR (*294)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass (*744)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle (*610)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers (*$7.00)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons (*361)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN (*249)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo (*955)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*203)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar (*516)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*465)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI (*465)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Lonrho (*241)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit Aero (*474)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds (*469)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Telecom (*191)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes (*189)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guinness (*337)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gr. (*393)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke (*366)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO (*134)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Dec.	Calls Feb.	Puts Nov.	Puts Dec.	Puts Feb.
FT-SE Index (*1641)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

November 3. Total Contracts 35,260. Calls 26,761. Puts 8,499. FT-SE Index, Calls 1,021. Puts 847. *Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May. Vol.	May. Last	Stock
GOLD C	$340	15	69A	6	75.50	—	—	$406.10
GOLD C	$370	22	38.50	—	—	—	—	
GOLD C	$390	28	18B	162	31B	—	—	
GOLD C	$400	221	8.50	31	24A	7	36	
GOLD C	$420	239	1	35	13A	4	21	
GOLD C	$440	4.40	0.80	35	7.50	12	15	
GOLD P	$360	—	—	2	3	15	6.50A	
GOLD P	$420	28	15.50	6	24A	10	26A	
[illegible]								

TOTAL VOLUME IN CONTRACTS: 35,606

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%
ABN Bank	11	Citibank NA	11
Adam & Company	11	Citibank Savings	†12.45
Allied Arab Bk Ltd	11	City Merchants Bank	11
Allied Dunbar & Co	11	Clydesdale Bank	11
Allied Irish Bank	11	Comm. Bk. N. East	11
American Exp. Bk	11	Consolidated Crds	11
Amro Bank	11	Co-operative Bank	*11
Henry Ansbacher	11	Cyprus Popular Bk	11
Associates Cap Corp	11	Duncan Lawrie	11
Banco de Bilbao	11	E. T. Trust	11
Bank Hapoalim	11	Exeter Trust Ltd	11½
Bank Leumi (UK)	11	Financial & Gen. Sec.	11
Bank Credit & Comm.	11	First Nat. Fin. Corp	11½
Bank of Cyprus	11	First Nat. Sec. Ltd	11
Bank of Ireland	11	Robert Fraser	11
Bank of India	11	Grindlays Bank	11
Bank of Scotland	11	Guinness Mahon	11
Banque Belge Ltd	11	Hambros Bank	11
Barclays Bank	11	Heritable & Gen. Trust	11
Beneficial Trust Ltd	11	Hill Samuel	§11
Brit. Bk. of Mid. East	11	C. Hoare & Co	†11
Brown Shipley	11	Hongkong & Shanghai	11
CL Bank Nederland	11	Knowsley & Co. Ltd	11½
Canada Permanent	11	Lloyds Bank	11
Cayzer Ltd	11	Mase Westpac	11
Cedar Holdings	11	Meghraj & Sons Ltd	11
Charterhouse Bank	11	Midland Bank	11

■ Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.05%. Top Tier—£2,500+ at 3 month's notice 10.03%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¾% gross. § Mortgage base rate. ‖ Demand dep. 6.69%. Mortgage 12¼%.

WORLD STOCK MARKETS

AUSTRIA

Nov. 3	Price Sch	+ or −
Credit'nst'lt pp	2,240	-
Goesser	3,250	−10
Interunfall	12,700	−300
Jungbunzlauer	11,050	-
Laenderbank	2,250	-
Perlmooser	628	−2
Steyr Daimler	157	−1
Veitscher Mag	11,005	-

BELGIUM/LUXEMBOURG

Oct. 31	Price Frs.	+ or −
B.B.L.	3,010	-
Banq. Gen. Lux.	16,300	-
Banq. Int. A.Lux.	15,100	-
Bekaert	10,450	+200
Ciment CBR	3,690	+20
Cockerill	142	−1
Delhaize	2,850	+30
EBES	4,700	+95
Electrobel	14,925	-
Fabrique Nat.	2,000	+70
GB Inno BM	7,800	-
GBL (Brux)	3,800	-
Generale Bank	5,900	-
Gevaert	6,100	+40
Hoboken	7,490	−30
Intercom	3,705	+25
Kredietbank	16,125	-
Pan Hldgs.	11,200	+50
Petrofina	9,410	+100
Royale Belge	29,150	+50
Soc. Gen. Belge	3,115	+40
Sofina	11,000	+125
Solvay	6,160	+100
Stanwick Intl	250	-
Tractionel	6,130	+30
UCB	9,000	−20
Wagons Lits	5,750	+250

DENMARK

Nov. 3	Price Knr %	+ or −
Baltica Skand.	645	+5
Cop Handels'nk.	252	−4
D. Sukkerfab	369	−5
Danske Bank	277	−5
East Asiatic	178	−3
Forenede Brygg.	1,000	-
GNT Hld	350	−13

GERMANY

Nov. 3	Price Dm.	+ or −
AEG	311.5	−1.5
Allianz Vers	2,198	+10
BASF	278.2	+0.2
Bayer	305.5	+2.7
Bayer-Hypo	569	+5
Bayer-Verein	925	+10
BHF-Bank	509	−1
BMW	576.5	−1.5
Brown Boveri	308	+2
Commerzbank	311	-
Cont'l Gummi	325	+2.5
Daimler-Benz	1,287.5	+19.8
Degussa	484	−2
D'sche Babcock	198	−2
Deutsche Bank	784	-
Dresdner Bank	399.8	+4.0
Feld-Muehle Nbl	295	−2
Henkel	467.8	+3.8
Hochtief	1,098	-
Hoechst	270	+0.3
Hoesch werke	157	-
Holzmann (P)	588	+3
Horten	257	−2
Hussel	622.5	−0.5
Karstadt	470	+1.5
Kaufhof	545	+16
KHD	195.7	−1.8
Kloeckner	73.9	+0.4
Linde	794	+4
Lufthansa	188	-
MAN	239.8	+3.3
Mannesmann	181	+3.8
Mercedes Hld.	1,143	+13
Metallgesell	317	-
Muench Rueck	2,480	+30
Nixdorf	696.8	+2.8
Porsche	1,005	−15
Preussag	211	−2
Rhein West Elect	229.5	+2.5
Rosenthal	435	+30
Schering	626	+2
Siemens	703.5	+9.5
Thyssen	152.5	−0.1
Varta	370	−1
Veba	286.7	+1.7
V.E.W.	151.6	-
Verein-West	476	-
Volkswagen	465.5	−9.0

ITALY

NETHERLANDS

Nov. 3	Price Fls	+ or −
ACF Holding	65	+0.5
AEGON	91	-
Ahold	108.4	+0.4
AKZO	150.2	+2.3
ABN	547	+5
AMEV	75	−0.3
AMRO	94	+1
Bredero Cert.	128	+6
Bos Kalis Westm	9	+0.3
Buehrmann Tet.	208.5	+0.5
Calland Holdings	19.6	-
Dordtsche Pet'm	196	+3
Elsevier-NDU	237	-
Fokker	68	+1.5
Gist Brocades	44.5	-
Heineken	171.5	+1.2
Hoogovens	69.1	−2.7
Huntr Doug NN	59.5	+0.2
Int. Mueller	83.3	−0.2
KLM	45.3	−0.5
KNP	158.5	+0.5
Naarden	90	-
Nat Ned Cert.	80.2	+0.5
Ned Mid Bank	302.5	+0.5
Nedlloyd	178	+4
Oce Grinten	449	-
Ommeren (Van)	37.1	+1.1
Pakhoed	75.1	+2.8
Philips	44.3	+0.3
Robeco	92.7	−0.3
Rodamco	136.5	+1.2
Rolinco	84	−1
Rorento	49.7	-
Royal Dutch	207	+2.5
Unilever	493.5	+5.7
VMF Stork	28.3	+1.1
VNU	328	-
Wessanen	80.2	+0.3
West Utr Bank	60	-

NORWAY

SPAIN

SWEDEN

Nov. 3	Price Kroner	+ or −
AGA	203	−3
Alfa-Laval B	296	+1
ASEA (Free)	372	+7
Astr (Free)	640	-
Atlas Copco	217	+6
BeijerA.B.	190	-
Cardo (Free)	505	-
Cellulosa	287	+1
Electrolux B	336	+1
EricssonB	246	−2
Esselte	145	+5
Mo och Domsjo	303	+13
Pharmacia	187	-
Saab Scania Free	720	-
Sandvik	176	-
Skandia	145	+1
Skan Enskilda	139	+1
SKF	358	+2
StoraKopparbrg	298	-
Sven. Handelsbk	477	+7
Swedish Match	475	+6
Volvo B (Free)	591	+6

SWITZERLAND

Nov. 3	Price Frs.	+ or −
Adia Intl	8,150	+75
Alusuisse	590	−5
Bank Leu	5,720	+5
Brown Boveri	1,670	+10
Ciba Geigy	3,575	−25
do. (Part Certs)	2,700	+5
Credit Suisse	3,720	-
Elektrowatt	3,425	-
Fischer (Geo)	1,940	−5
Hoff.Roche PtCts	116,000	-
Hoff-Roche 1/10	11,450	−50
Jacobs Suchard	8,400	+75
Jelmoli	3,925	+75
Landis & Gyr	1,800	-
Nestle	8,800	+100
Oer-Buehrle	1,670	-
Pirel II	476	+1
Sandoz (Br)	11,900	-
Sandoz (Pt Cts)	1,850	−25
Schindler (Pt Cts)	575	−20
Sika	1,550	+50
Surveillance A	7,950	+25
Swissair	1,300	-
Swiss Bank	534	−2
Swiss Reinsce	18,500	-
Swiss Volksbk	2,635	-
Union Bank	5,840	+15
Winterthur Inh	7,000	-
Zurich Ins	8,000	−25

FRANCE

Nov. 3	Price Frs.	+ or −
Air Liquide	673	−77
BIC	615	−1
Bongrain	2,235	-
Bouygues	1,345	−20
BSN Gervais	4,300	+20
CIT Alcatel	1,970	-
Carrefour	3,610	−35
Club Mediter'n	603	+8
Cie Bancaire	1,110	−20
Cofimeg	405	−4
Damart	2,260	+64
Darty	4,081	−58
Dumez S.A.	1,826	+21
Eaux (Cie Gen)	1,369	+5
Elf Aquitaine	317	−1.5
Essilor	3,130	−5
Gen.Occidentale	1,005	+5
Imetal	60	+0.8
Lafarge Coppee	1,341	−37
L'Oreal	3,575	+15
Legrand	4,700	+55
Maisons Phoenix	185.5	−4.5
Matra S.A.	2,199	−61
Michelin B	2,490	-
Midi (Cie)	1,590	+2
Moet.Hennessy	2,295	+20
Moulinex	63.1	−0.9
Nord Est	185	−2.5
Pernod Ricard	1,035	−9
Perrier	805	−3
Petroles Fra	439	-
Peugeot S.A.	1,105	+6
Printemps (Au)	482	−17
Radio tech	834	+5
Redoute	2,250	−34
Roussel-Uclaf	1,432	+13
Sefimeg	475	−5
Skis Rossignol	1,250	+10
Telemec Elect	2,906	−19
Thomson (CSF)	1,535	−10
Valeo	517	−3

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. $ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

AUSTRALIA

Nov. 3	Price Aust. $	+ or −
ACI Intl	4.0	-
Adelaide Steams	13.65	−0.15
Amcor	3.80	-
ANZ Group	5.54	-
Ampol Pet	2.72	+0.02
Ashton	2.35	−0.05
Aust. Guarantee	3.50	-
Aust. Nat. Inds	2.96	−0.02
Bell Group	10.7	+0.15
Bell Res	4.2	−0.05
Bond Corp Hldgs	2.78	−0.04
Boral	4.45	-
Bougainville	3.18	-
Brambles Inds	7.16	+0.06
Bridge Oil	0.8	+0.01
B. H. Prop	8.52	−0.04
Burns Philp	8.2	+0.1
CRA	7.76	−0.02
CSR	3.02	-
Chase Corp	6.2	+0.1
Claremont Pet	1.02	+0.02
Coles-Myer	5.5	−0.1
Comalco 'A'	2.5	-
Consolidated Pet	0.25	+0.02
Costain Aust	3.05	-
Elders IXL	3.72	−1.28
Energ Res	1.65	-

AUSTRALIA (continued)

HONG KONG

Nov. 3	Price H.K.$	+ or −
Bank East Asia	20.1	−0.3
Cathay Pacific	5.6	−0.05
Cheung Kong	31	−0.05
China Light	20.8	−0.4
Evergo	0.56	−0.02
Hang Seng Bank	34.25	−0.75
Henderson Land	3.6	−0.12
HK China Gas	18.5	−0.1
HK Electric	10.1	−0.1
HK Kowloon Wh.	8.3	−0.05
HK Land	5.95	−0.2
HK Shanghai Bk.	8	−0.15
HK Telephone	15.1	−0.4
Hutchinson Wpa.	41	−1.5
Jardine Math.	19.1	−0.7
New World Dev.	8.6	−0.35
SHK Props	19.8	−0.7
Shell Elect	0.77	-
Swire Pac A	16.7	−0.6
TV—B	8.4	−0.25
Winsor Inds	8.9	+0.25
World Int. Hldgs.	3.1	−0.12

JAPAN

Nov. 1	Price Yen	+ or −
Ajinomoto	1,680	-
All Nippon Air	902	-
Alps Electric	2,160	-
Asahi Chem	755	-
Asahi Glass	1,250	-
Bank Tokyo	826	-
Bridgestone	627	-
Brother Inds	625	-
Canon	1,130	-
Casio Comp	1,580	-
Chugai Pharm	1,150	-
Daiei	1,180	-
Dai-Ichi Kan. Bk.	1,670	-
Dai Nippon Ink	455	-
Dai Nippon Ptg	1,730	-
Daiwa House	1,570	-
Daiwa Sec	1,590	-
Eisai	1,560	-
Fanuc	6,680	-
Fuji Bank	1,670	-
Fuji Film	3,270	-
Fujisawa	1,210	-
Fujitsu	1,120	-
F'urukawa Elect.	482	-
Green Cross	2,400	-
Heiwa Real Est	955	-
Hitachi	1,080	-
Hitachi Credit	1,550	-
Honda	1,340	-
Indl. Bk. Japan	1,870	-
Ishikawajima Hr	404	-
Isuzu Motor	332	-
Itoh (C)	729	-
Ito Yokado	3,810	-
Jal	9,490	-
Jusco	1,510	-
Kajima	1,100	-
Kao Corp	1,470	-
Kawasaki Steel	170	-
Kirin	1,340	-
Kobe Steel	160	-
Komatsu	488	-
Konishiroku	634	-
Kubota	360	-
Kumagai	1,090	-
Kyocera	4,470	-
Marubeni	457	-
Marui	2,570	-
Mazda Motors	371	-
Meiji Seika	740	-
MIE	1,890	-
M'bishi Bank	1,640	-
M'bishi Chem	685	-
M'bishi Corp	1,000	-
M'bishi Elect	436	-
M'bishi Estate	2,080	-

JAPAN (continued)

Nov. 3	Price Yen	+ or −
MHI	409	-
Mitsui Bank	1,080	-
Mitsui Co.	547	-
Mitsui Estate	1,660	-
Mitsui Toatsu	304	-
Mitsukoshi	1,050	-
NGK Insulators	894	-
Nikko Sec	1,480	-
Nippon Denso	1,590	-
Nippon Elect	2,050	-
Nippon Express	980	-
Nippon Gakki	1,700	-
Nippon Kogaku	917	-
Nippon Kokan	205	-
Nippon Oil	1,100	-
Nippon Seiko	495	-
Nippon Shimpan	1,000	-
Nippon Steel	159	-
Nippon Suisan	420	-
Nippon Yusen	401	-
Nissan Motor	553	-
Nisshin Flour	749	-
Nomura	2,810	-
Olympus	1,150	-
Onoda Cement	460	-
Orient Finance	1,040	-
Orient Leasing	3,370	-
Pioneer	2,500	-
Ricoh	985	-
Sankyo	1,200	-
Sanwa Bank	1,330	-
Sanyo Elect	390	-
Sapporo	1,120	-
Sekisui House	1,480	-
Seven Eleven	8,000	-
Sharp	1,020	-
Shimizu Constn	650	-
Shionogi	1,300	-
Shiseido	1,850	-
Showa Denko	333	-
Sony	3,650	-
S'tomo Bank	1,830	-
S'tomo Chem	335	-
S'tomo Corp	860	-
S'tomo Elect	1,660	-
S'tomo Metal	141	-
Taisei Corp	820	-
Taisho Marine	825	-
Taiyo Kobe Bank	680	-
Takeda	2,070	-
TDK	4,240	-
Teijin	643	-
Toa Nenryo	1,480	-
Tokai Bank	1,030	-
Tokio Marine	1,450	-
Tokyo Elect Pwr.	7,100	-
Tokyo Gas	939	-
Tokyu Corp	975	-
Toppan Print	1,440	-
Toray	565	-
Toshiba Elect	610	-
Toyo Seikan	1,930	-
Toyota Motor	1,930	-
UBE Inds	270	-
Victor	3,010	-
Yamaha	650	-
Yamaichi Sec	1,380	-
Y'manouchi Phm	3,100	-
Yamazaki	1,480	-
Yasuda Fire	777	-

SINGAPORE

Nov. 3	Price $	+ or −
Boustead Hldgs.	1.52	−0.02
Gold Storage	3.90	−0.08
DBS	9.55	+0.10
Genting	6.10	+0.05
Haw Par Bros.	3.24	+0.02
Hong Leong Fin.	3.25	+0.02
Inchcape Bhd.	3.04	−0.08
Keppel Corp	3.00	−0.04
Malay Banking	5.50	+0.35
Malay Utd. Ind.	1.58	−0.01
Multi Purpose	0.57	+0.01
OCBC	9.45	+0.25
OUB	3.86	-
Public Bank	1.49	+0.02
Sime Darby	1.92	+0.01
Singapore Air	9.80	−0.05
Singapore Press	8.70	+0.1
Straits Trading	3.90	+0.02
Tat Lee Bank	3.28	+0.18
UOB	4.82	+0.04

SOUTH AFRICA

Nov. 3	Price Rand	+ or −
Abercom	2.6	−0.1
AE & Cl	14.5	-
Allied Tech	90	-
Anglo Am. Coal	31.50	+0.25
Anglo Am. Corp	65	−0.25
Anglo Am. Gold	325	−5
Barclays Bank	23	-
Barlow Rand	20.4	-
Buffels	83	-
CNA Gallo	2.8	-
Currie Finance	4.40	-
De Beers	34.15	+0.15
Driefontein	68	-
F. S. Cons	52.5	-
Gold Fields S.A.	51	−0.75
Highveld Steel	5.95	-
Malcor	14.5	-
Nedbank	5.7	-
OK Bazaars	18.9	+0.4
Rembrandt	79.5	-
Rust Plat	48	−0.5
Safren	16.25	−0.25
Sage Holdings	9.6	-
SA Brews	16.75	+0.65
Smith (CG)	31	+0.25
Tongaat Huletts	7.05	−0.05

CANADA

TORONTO

Closing prices November 3

MONTREAL

Closing prices November 3

Indices

NEW YORK

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 39

LONDON

Chief price changes

(in pence unless otherwise indicated)

RISES

Tr 13% 2000	£115¹⁄₁₆	+1¼
Tr 2½ IL '11	£102¹⁄₁₆	+³⁄₁₆
AB	267	+31
Appleyard	166	+10
BPB Inds	485	+11
Beecham	441	+10
Brit. Arrow	150½	+5
Burton	293	+12
Goodhead Print	155	+17
Harr Queens	206	+10
Hawker Sidd	436	+13
Hill Samuel	369	+8
Imp. Cont. Gas	581	+12
McCorquodale	290	+8
Meyer Intl	265	+9
1928 Inv.	240	+14
Pilkington Bros	529	+11
Racal Elect	174	+6
Saatchi & Saat	630	+27
Stylo	258	+17
UDO Hldgs	160	+8
Ultramar	161	+5
Valor	268	+14
Woodches Invs	405	+30
Wyndham	106	+23

FALLS

Aitken Hume	135	−5
Oxford Ins	454	−82

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26 1/2	14 3/4	AAR s	.44	1.8	18	192	24	23 7/8	24	
30	21 3/4	ADT	.92	3.5		720	26 3/4	26 1/8	26 1/8	
33	13 3/4	AFG s	.12t	.4	15	864	31 1/2	30 1/2	30 7/8	−1/8
25 7/8	15 7/8	AGS			14	33	22 5/8	22 1/8	22 1/8	−1/8
15	7 3/4	AMCA				96	8 1/8	7 7/8	7 7/8	−1/8
62 1/8	38 3/4	AMR			14	3977	58 1/8	57 3/4	58	+7/8
16 3/4	10	ARX	.71t	6.5	10	25	11 1/8	10 7/8	10 7/8	−1/8
41 1/2	28 3/4	ASA	2a	5.6		348	36	35 5/8	36	+5/8
18 7/8	9 3/4	AVX		2.7		450	12	11 7/8	12	+1/4
32	24 1/8	AZP	2.72	9.7	6	5859	28 1/4	27 1/2	28	−3/8
55	29 1/8	AbtLb s .84		1.9	19	4474	43 5/8	43	43 5/8	+5/8
32	22 1/2	AccoWd .58		2.1	17	260	28 3/4	28	28 1/8	+5/8
14 7/8	9	AcmeC .40		3.8		55	10 7/8	10 3/8	10 1/2	−1/8
9 1/4	6 1/4	AcmeE .32b		5.0	16	176	6 3/8	6 3/8	6 3/8	+1/8
23 7/8	17 1/4	AdaEx 4.45e		22.		x410	20 7/8	19 7/8	20 1/4	−1
33 7/8	18 3/4	AdmMl .40		1.5	13	28	26 3/8	26 3/8	26 3/8	
20 5/8	12 1/8	AdvSys1.45t		10.	13	248	14 5/8	14 1/8	14 3/8	+1/8
32 7/8	12 7/8	AMD				1760	14 5/8	14	14 3/8	+5/8
12 5/8	5 1/4	Adobe				181	5 1/2	5 3/8	5 3/8	−1/8
18 5/8	13 3/4	Adob pf 1.84		12.		1	15	15	15	
20 1/4	15 1/4	Adob pf 2.40		13.		51	18	17 3/4	18	+1/4
18 5/8	8 1/4	Advest .12a		.8	11	410	14 5/8	14 1/8	14 1/4	+1/4
66 1/4	48 3/4	AetnLf 2.64		4.7	9	4442	56 5/8	55 3/4	56 1/4	+1/2
58 3/8	51 1/2	AetL pf4.69e		8.8		1	53 3/8	53 3/8	53 3/8	+1/8
28 3/4	12	Ahmans .48		2.1	7	2394	21 3/4	21 3/8	21 3/4	+1/4
5 3/4	2 5/8	Aileen			45	102	3 3/8	3 1/8	3 1/8	
41 5/8	27	AirPrd s .80		2.2	455	2729	36 3/8	35 5/8	36 3/8	+3/4
27 3/4	16	AirbFrt .60		2.6	16	471	22 3/4	22 1/8	22 3/4	
20 5/8	19 1/4	Airlse n				38	19 3/4	19 5/8	19 5/8	+1/8
2	1/4	AlMoan 60c				53	11-32	11-32	11-32	
29	25 5/8	AlaP pf1.94e		7.2		57	27	27	27	+1/4
10 3/4	7 3/4	AlaP dpf.87		8.8		58	10 1/8	10 1/2	10 1/2	−1/8
105	80	AlaP pf 9		8.6		z30	104 1/2	104 1/2	104 1/2	
[illegible]										

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Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	18⅞	Valer pf3.44		14.		27	24¼	24	24⅛	+⅛
3⅛	1⅜	Valeyln			34	26	1½	1⅜	1⅜	−⅛
37⅛	23⅜	VanDrn1.10		3.8	10	175	29¼	28½	29	+¼
5¼	2⅜	Varco			52	2½	d	2⅛	2⅛	−¼
15½	9	Varco pf				7	9¾	9¾	9¾	−⅛
30½	22⅜	Varian	.26	1.0		5314	26¾	25⅛	26¼	+⅛
3½	1¾	Varity				415	2⅛	1⅞	2	+⅛
17¾	12½	Varo	.40	3.1	36	44	12⅞	12⅝	12¾	−⅛
19¾	12	Veeco	.40	2.8	25	213	14⅝	14½	14½	

Continued on Page 37

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

[illegible]

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Election concerns outweighed

WITH A STRONG bond market outweighing any lingering concerns over the outcome of today's elections, stock prices made solid advances on Wall Street yesterday, *writes Roderick Oram in New York.*

Bond prices rose about ½ of a point as the market believed that the strengthening dollar would help boost foreign demand at the Treasury's quarterly refunding this week when a record $29bn of securities will be auctioned.

The Dow Jones industrial average spurted ahead in the final half hour to close up 16.45 at 1,894.26. The New York Stock Exchange composite index advanced 0.95 of a point to 141.37 on volume of 139.6m shares, compared with 147.2m on Friday, with advancing issues outpacing declining by 977 to 608.

Among blue chips, IBM was ahead $2¼ to $125⅛, AT&T was unchanged at $24⅞, General Electric advanced $1⅛ to $77¾, General Motors gained $1⅛ to $72½, American Express rose $⅝ to $59¼, Sears Roebuck was ahead $⅝ to $43¾ and United Technologies was unchanged at $42⅞.

Occidental Petroleum was the most active issue with almost 4m shares changing hands as the price fell $1½ to $27⅛. A jury awarded $724m damages against a subsidiary last Friday

Eastman Kodak jumped $2⅞ to $64. It reported third-quarter net earnings of $1.17 a share versus $1.09 a year earlier,

Gillette rose $3¾ to $48½. No comment on the gain and heavy trading volume was forthcoming from the company.

On the takeover front, Celanese jumped $24 to $242½ after the US arm of Hoechst, the West German chemical group, announced an agreed bid of $245 a share.

Goodyear Tire and Rubber, the second most active issue with 3.8m shares traded, fell $⅝ to $48. It announced it was seeking buyers for its Celeron oil and gas unit. Late on Friday an investment group led by Sir James Goldsmith, the Anglo-French financier, and including the US arm of Hanson Trust of the UK, declared an 11.5 per cent stake in Goodyear but said it would await results of Goodyear's restructuring studies before deciding whether to launch a bid.

Brussels and Tokyo stock markets were closed yesterday for holidays.

Hanson Trust's American Depository Receipts began trading on the NYSE yesterday. They were unchanged at $14½ with more than 500,000 traded.

Allied Stores rose $⅝ to $66¾. It agreed to a $69 a share cash and securities offer from Campeau, a Canadian property developer, after a two-month battle.

Texas Air, which is about to become the largest US airline, rose $¼ to $38⅜. It said People Express, down $¼ to $3, had agreed to a purchase price of $110.5m in securities against the initially agreed $134.3m because of its deteriorating financial position.

Brunswick fell $1⅜ to $30½ after it announced a $425m agreed bid for Bayliner Marine,

Mead eased $½ to $59½. The forest products group, adopted a "poison pill" shareholders' package which would be activated by a hostile stock market raid.

Norstan rose $⅝ to $7½ in the over-the-counter market. An investment group led by Mr Marc Kozberg of Minneapolis declared a 5.5 per cent stake in the maker of digital communications equipment.

American Bakeries, up $⅛ at $43¾, said it had concluded a management buyout agreement at $44 a share.

Pratt Hotel, down $⅛ to $3⅞, extended its $125 a share offer for class B shares of Resorts International, which rose $4 to $105, in its bid for voting control.

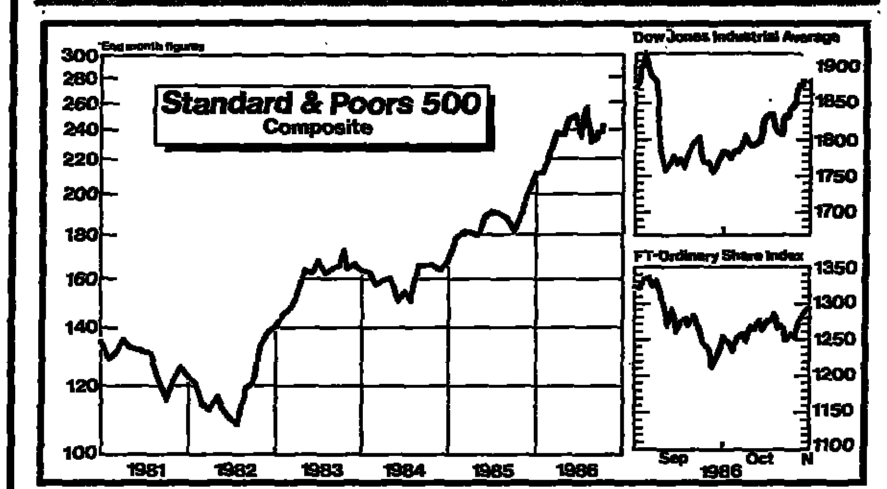
Credit markets were buoyed by hopes that the record $29bn Treasury refunding this week, beginning today with the auction of $10bn worth of three-year notes, will attract substandial domestic and foreign investor demand. But investors were careful not to take large positions ahead of the auctions in case they were less successful than expected.

Bond prices also rose because of the dollar's strength against the yen and weakness in the oil market. The benchmark 7.25 per cent Treasury bond due 2016 gained ⅞ of a point to 96⅝ at which it yielded 7.57 per cent.

Three-month Treasury bills gained three basis points to 5.20 per cent, six-month bills gained seven basis points to 5.30 per cent and one-year bills rose one basis point to 5.41 per cent. The average yield at the weekly auction was 5.20 per cent on three-month bills, up from 5.18 per cent a week earlier, and 5.30 per cent on six month bills, up from 5.21 per cent.

The Federal Reserve came into the market to make $1.5bn of customer repurchases when the Fed funds rate stood at 5 15/16 per cent. It subsequently rose to 6 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Nov 3	Previous	Year ago
DJ Industrials	1,894.26	1,877.81	1,390.25
DJ Transport	841.38	835.38	665.61
DJ Utilities	210.67	209.41	161.78
S&P Composite	245.80	243.98	191.53
LONDON	Nov 3	Previous	Year ago
FT Ord	1,294.1	1,285.4	1,071.1
FT-SE 100	1,639.2	1,632.1	1,379.0
FT-A All-share	811.26	807.27	671.62
FT-A 500	886.42	881.21	733.03
FT Gold mines	271.3	277.2	222.9
FT-A Long gilt	10.29	10.46	10.44
TOKYO			
Nikkei	c	16,910.63	12,808.1
Tokyo SE	c	1,407.86	1,018.51
AUSTRALIA			
All Ord.	1,375.5	1,377.5	1,006.5
Metals & Mins.	697.8	709.0	493.6
AUSTRIA			
Credit Aktien	n/a	227.15	197.16
BELGIUM			
Belgian SE	n/a	3,889.12	2,479.58
CANADA			
Toronto			
Metals & Mins	2,113.80	2,099.0	1,779.0
Composite	3,051.5	3,038.9	2,705.4
Montreal			
Portfolio	554.79	1,547.9	130.40
DENMARK			
SE	n/a	n/a	230.28
FRANCE			
CAC Gen	392.60	383.60	221.0
Ind. Tendance	146.50	147.0	80.6
WEST GERMANY			
FAZ-Aktien	666.67	665.0	599.94
Commerzbank	2,002.90	1,995.7	1,770.3
HONG KONG			
Hang Seng	2,258.78	2,315.63	1,680.65
ITALY			
Banca Comm.	764.81	766.01	414.05
NETHERLANDS			
ANP-CBS Gen	278.50	276.0	226.5
ANP-CBS Ind	276.90	275.6	205.2
NORWAY			
Oslo SE	374.42	371.38	387.80
SINGAPORE			
Straits Times	940.64	937.37	767.94
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,764.0	1,111.6
JSE Industrials	—	1,390.0	943.1
SPAIN			
Madrid SE	185.85	183.00	91.94
SWEDEN			
J & P	2,627.49	2,538.81	1,456.40
SWITZERLAND			
Swiss Bank Ind	575.70	575.6	510.3
WORLD	Oct 31	Previous	Year ago
MS Capital Int'l	336.8	339.1	233.7

COMMODITIES

(London)	Nov 3	Prev
Silver (spot fixing)	397.65p	400.75p
Copper (cash)	£920.00	£924.75
Coffee (Jan)	£2,323.00	£2,274.00
Oil (Brent blend)	$14.25	$14.80

GOLD (per ounce)

	Nov 3	Prev
London	$405.75	$400.625
Zürich	n/a	n/a
Paris (fixing)	$400.02	$399.02
Luxembourg	$403.5	$403.25
New York (Dec)	$406.8	$405.5

CURRENCIES

(London)	US DOLLAR Nov 3	US DOLLAR Previous	STERLING Nov 3	STERLING Previous
$	—	—	1.4155	1.4055
DM	2.0635	2.0625	2.9125	2.895
Yen	163.95	163.40	231.50	229.50
FFr	6.7375	6.7175	9.51	9.4425
SFr	1.7175	1.7105	2.425	2.40875
Guilder	2.3315	2.3270	3.29	3.27
Lira	1,425.00	1,420.00	2,011.50	1,996.50
BFr	42.90	42.85	60.55	60.25
C$	1.3915	1.3900	1.9635	1.9550

INTEREST RATES

Euro-currencies (3-month offered rate)	Nov 3	Prev
£	11⅛	11⅛
SFr	3⅞	3⅞
DM	4⅝	4⅝
FFr	7⅝	7 11/16
FT London Interbank fixing (offered rate)		
3-month US$	5 11/16	5 11/16
6-month US$	5 11/16	5 11/16
US Fed Funds	5 15/16*	5¾
US 3-month CDs	5.55*	5.775
US 3-month T-bills	5.19*	5.34

US BONDS

Treasury	November 3* Price	Yield	Prev Price	Yield
6⅞ 1988	100 1/32	6.188	100 ⅛	6.30
7¼ 1993	100 ⅝	7.021	99 ⅞	7.25
7¼ 1996	100 ⅝	7.255	99 ⅞	7.402
7¼ 2016	95 ⅝	7.547	94 ⅝	7.799

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Nov 3* Return index	Day's change	Yield	Day's change
1–30	158.46	+0.39	6.94	−0.01
1–10	150.98	+0.21	6.62	−0.01
1– 3	141.34	+0.12	6.20	+0.0
3– 5	153.84	+0.31	6.76	−0.04
15–30	185.34	+1.06	7.99	−0.05

Source: Merrill Lynch

Corporate	November 3* Price	Yield	Prev Price	Yield
AT & T 3⅝ July 1990	92.217	6.30	92.125	6.40
SCBT South Central 10⅞ Jan 1993	107.75	9.313	107.125	9.367
Phibro-Sal 8 April 1996	98.75	8.191	98.25	8.269
TRW 8⅝ March 1996	102.5	8.355	102.00	8.433
Arco 9⅞ March 2016	107	9.180	105.25	9.346
General Motors 8⅝ April 2016	91.5	8.947	89.50	9.0825
Citicorp 9⅝ March 2016	97.75	9.603	97.00	9.682

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	98-25	99-01	98-07	98-03
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.99	94.92	94.88	94.87
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.16	94.16	94.11	94.12
20-year Notional Gilt £50,000 32nds of 100%				
Dec	111-10	111-25	111-05	110-17

* Latest available figures

JAPANESE STOCK MARKET

Foreigners accelerate withdrawal

BRISK foreign sales of Japanese shares are now acting as a heavy drag on the Tokyo stock market, which has suffered a major correction since last summer's peak, *writes Shigeo Nishiwaki of Jiji Press.*

Foreign investors have been heavy net sellers since April. According to a survey by the Tokyo Stock Exchange, they sold a net Y3,563bn ($22.1bn) worth of shares this year up to October 25 – 4.1 times as large as last year's Y869.1bn and over 85 per cent up from the record net sales of Y1,922bn in 1984.

Net foreign sales are expected to surpass Y5,000bn by the end of this year, causing a substantial decline in foreign equity holdings which totaled Y16,530bn at the end of March.

Figures released by the Bank of Japan show that net foreign sales totaled Y2,220.6bn in the first nine months of this year. Europeans accounted for an overwhelming Y1,646.7bn of the total, followed far behind by Americans with Y422bn and South-East Asian investors with Y166.2bn.

The rush of foreign selling had been overlooked against the background of frenzied buying by institutional investors until the institutions shied away from the market early in October.

Mr Minoru Itoh, managing director and Tokyo branch manager of Smith Barney Harris Upham International, said the Tokyo market had soared so high as to daunt foreigners placing importance on fundamentals.

The market's overheating in July and August was the result of frenzied institutional dealing in certain large-capital issues, he said.

Some argue that foreign selling increased because of the lure of exchange gains due to the yen's surge against the dollar since the G5 agreement in September last year.

Mr Yasukazu Akamatsu, director of Daiwa Securities, notes that fundamentals-conscious foreign institutional investors simply could not follow last summer's frenzied market enthusiasm. He considers that funds withdrawn from the Tokyo market may have been shifted to West Germany, France, Italy and Spain, where markets have grown bullish on improved corporate earnings.

An official at one foreign securities firm in Japan says he is reluctant to recommend Japanese shares to overseas investors and offers sharp criticism of the investment strategy of Japanese institutions.

The question is how long the foreign selling wave will continue. Mr Shoji Oshima, general manager of the Tokyo branch office of Vickers da Costa, is deeply concerned about the market correction in the wake of last summer's bull market but says foreigners should be attracted by a handful of firms with the technology to develop a succession of high added-value products.

According to Mr Itoh, foreign investors are unlikely to become net buyers until Tokyo share prices slip to more acceptable levels or the yen slides to around Y190 to the dollar, improving the earnings of Japanese exporters and leading foreigners to expect exchange gains.

EUROPE

Stockholm climbs to fresh peak

STOCKHOLM remained the centre of attention on the European bourses yesterday with its third consecutive record as investors were encouraged by the prospects of lower interest rates and a flurry of good economic data.

The Veckans Affarer all-share index jumped 5.5 to a peak 949.5, representing a rise of almost 5 per cent in one week. Turnover rose to SKr 407m and advances outnumbered declines by a margin of 76 to 63.

Volvo sprinted SKr 6 higher to SKr 391 while Electrolux edged SKr 1 up to a fresh 1986 peak of SKr 336.

Gains of SKr were recorded by Esselte at SKr 145 and Swedish Match at SKr 475.

Falls among blue chips were rare as Aga slipped SKr 3 to SKr 203 while Fermenta dropped SKr 8 to SKr 127 despite last week's good interim figures.

The September trade surplus figures arrived after the close of trading and are likely to lend further strength to the current rally, according to dealers.

Amsterdam was buoyed by firmer internationals due to report later this week.

Akzo, the chemicals and fibre group due to release figures today, gained Fl 2.30 to Fl 150.20 after touching Fl 151. Royal Dutch derived some benefit from the firmer oil price and the stronger dollar: it rose Fl 2.50 to Fl 207.

Persistent overseas, particularly US, buying of Unilever, took the multinational Fl 5.70 higher to Fl 493.50.

Philips, expected to report poor third-quarter results tomorrow, managed a 30 cent rise to Fl 44.30.

Boskalis Westminster moved from its low for the year with a 30-cent advance to Fl 9 while steel group Hoogovens suffered one of the largest falls of the day with a Fl 2.70 decline to Fl 59.10.

KLM slipped 50 cents to Fl 45.80 after yesterday's IATA forecasts of an industry-wide loss for 1986 due.

The bond market was lacklustre as domestic institutions and foreign investors remained on the sidelines.

Frankfurt was mixed in quiet trading that took the Commerzbank index up 7.2 to 2,002.9. A denial by VW late in the session that it had suffered heavy foreign exchange losses triggered some interest although the car maker closed DM 9 lower at DM 465.50. Daimler, lower at the opening, finished DM 18.50 higher at DM 1,267.50.

Hoechst added 30 pfg to DM 270 ahead of its US subsidiary's bid for Celanese.

Veba, bidding for a stake in Hapag Lloyd, rose DM 1.70 to DM 281.7.

Bonds were dull, undermined by the rising dollar and the belief that the federal government is planning a series of large new offerings for the remainder of the year.

The Bundesbank sold DM 4.5m worth of paper after sales of DM 11.6m on Friday and the average yield on public authority paper rose three basis points to 6.08 per cent.

Milan was plagued by thin trading, partly attributed to a strike by bank employees, and closed slightly lower.

Zurich turned mixed with some selling pressure in chemicals while **Paris** traded narrowly mixed for the entire session. **Madrid** was led higher by gains among constructions.

SINGAPORE

AFTER continuing Friday's rise in early trading, Singapore share prices fell back on profit-taking to close mixed at the end of an active session. The Straits Times industrial index, however, rose to 940.64, just below the 940.80 record reached in August 1984.

Some analysts attributed the early firmness to expectations that the market would be boosted by new rules which allow Central Provident Fund members to use more money to purchase trustee stocks.

Among the most actively traded stocks, Sime Darby added 1 cent to S$1.92 on turnover of 1.35m, and Selangor Properties continued its rise, gaining 2 cents to S$1.35 on 1.31m shares changing hands. Total turnover was 36.4m shares, up from Friday's 32m.

Other blue chip advances included Malayan Banking, which rose 35 cents to a year's high of S$5.50, and OCBC, up 25 cents to S$9.45, also a 1986 high.

SOUTH AFRICA

QUIET TRADING in Johannesburg saw share prices end mixed, with gold stocks tending easier but industrials drifting slightly higher.

Anglo American Corp, which announced a stoppage by 3,700 employees at its President Steyn Gold Mine, was off 25 cents at R65.

Among gold stocks, Buffels was steady at R83 but Vaal Reefs lost R4 to R349.

Mining financials were also lower, but diamond stock De Beers firmed 15 cents to R34.15.

CANADA

THE RALLY continued in Toronto, fuelled by gains in the resources and banking sectors.

Campeau, the victor in the takeover struggle for US retailer Allied Stores, added C$¾ to C$26⅝.

In Montreal, banks overshadowed industrials in a broad advance.

LONDON

Sterling provides fillip

STERLING'S strength, reflecting better prospects for oil prices, pushed both government bond and share prices higher in London yesterday.

The FT-SE 100 index climbed 7.1 to 1,639.2 and the FT Ordinary index rose 8.7 to 1,294.1.

Among leading advances, AE jumped 31p to 267p after Mr Robert Maxwell offered 287p in shares or 260p in cash for the company.

Oils softened slightly under a trickle of selling from the US.

The improvement in the pound gave domestic and foreign investors the confidence to take advantage of the attractive yield differential between British and foreign government issues.

Gilt-edged prices slipped off their highs as sterling edged below its best, but they ended the session with net gains of just over 1 point.

Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34, 35

HONG KONG

PROFIT-TAKING by foreign investors pushed Hong Kong shares into a steep decline, producing the biggest single day fall in the Hang Seng index in 16 months. The index ended at 2,258.78, a drop of 56.85 points from Friday, as the technical reaction continued to last Tuesday's 1986 high of 2,355.93.

The market was also depressed by speculation that more local companies might try to place their shares below prevailing prices.

Sun Hung Kai Properties, which placed 125m of New World's shares in London, New York and Hong Kong on Friday, lost 70 cents to HK$19.80. New World ended 35 cents down at HK$8.60.

AUSTRALIA

GOLD SHARES again led the market in Sydney, this time heading a downturn which took the All Ordinaries index 1.9 points lower to 1,375.6 after Friday's record 1,377.5. Blue chip industrials found strong demand, however.

The selling pressure on gold stocks followed the drop in bullion prices and concern that they will weaken further as last week's agreement between Japan and the US boosts the dollar.

Among gold issues and mining stocks, which were also lower, Kidston was off 20 cents at A$8.00.